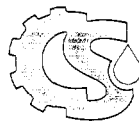


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August 3, 2005

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Canadian Oil Sands

Trudy M. Curran
Telephone No. (403) 218-6240
Fax No. (403) 218-6201
Email: trudy_curran@cos-trust.com



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VIA COURIER

U.S. Securities and Exchange Commission
Office of International Corporate Finance
450 Fifth Street, N.W.
Judiciary Plaza
Washington, DC 20549
USA

SUPPL

Dear Sirs:

Re: Canadian Oil Sands Trust – File No. 82-5189

Pursuant to the exemption granted under Rule 12g3-2(b) of the Securities Exchange Act of 1934, as amended, enclosed are the following documents of Canadian Oil Sands Trust, all of which have been filed with the regulatory authorities in Canada:

1. Amended and Restated Trust Indenture dated June 1, 2005; and
2. July 21, 2005 Press Release regarding second quarter financial results.

If you have any questions or concerns, please contact me directly at (403) 218-6240.

Sincerely,

CANADIAN OIL SANDS LIMITED

Trudy M. Curran
General Counsel & Corporate Secretary

TMC/cej
Encls.

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FINANCIAL

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DATED AS OF THE 1st DAY OF JUNE, 2005

CANADIAN OIL SANDS TRUST
(formerly known as Athabasca Oil Sands Trust)

**AMENDED AND
RESTATED
TRUST INDENTURE**

BENNETT JONES LLP

CANADIAN OIL SANDS TRUST

TRUST INDENTURE

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CANADIAN OIL SANDS TRUST

TRUST INDENTURE

THIS FOURTH AMENDED AND RESTATED TRUST INDENTURE is made as of the 1st day of June, 2005,

BETWEEN:

COMPUTERSHARE TRUST COMPANY OF CANADA,
successor in interest to Montreal Trust Company of Canada, a trust
company incorporated under the laws of Canada, with offices in the
City of Calgary, in the Province of Alberta

OF THE FIRST PART

and

CANADIAN OIL SANDS LIMITED, a body corporate
incorporated under the laws of the Province of Alberta, with offices in
the City of Calgary, in the Province of Alberta

OF THE SECOND PART

WHEREAS the Settlor, Montreal Trust Company of Canada and AOSII entered into that certain Trust Indenture dated as of October 5, 1995 (the "Original Trust Indenture") for the purpose of settling and constituting the Trust;

AND WHEREAS pursuant to the Original Trust Indenture, Montreal Trust Company of Canada agreed to hold the Settled Amount and all amounts and other property subsequently received thereunder in trust in accordance with the provisions thereof;

AND WHEREAS pursuant to the Original Trust Indenture, the beneficiaries of the Trust are the holders of Trust Units, each of which Trust Units ranks equally in all respects with every other Trust Unit;

AND WHEREAS pursuant to the Original Trust Indenture, the net proceeds of the first Offering thereof were used to acquire the AOST Royalty;

AND WHEREAS pursuant to the Original Trust Indenture, it was intended that the Trust qualify as a "unit trust" and as a "mutual fund trust" under the provisions of paragraph 108(2)(b) and subsection 132(6) of the Income Tax Act;

AND WHEREAS Computershare Trust Company of Canada, referred herein as the Trustee, acquired the corporate trust business of Montreal Trust Company of Canada and Montreal Trust Company of Canada assigned all of its rights and duties under this Indenture and under any ancillary agreements executed in connection herewith to Computershare Trust Company of Canada;

AND WHEREAS pursuant to the Merger, the Trust acquired the common shares of COSII and a royalty on the COSII Working Interest and changed its name from "Athabasca Oil Sands Trust" to "Canadian Oil Sands Trust";

AND WHEREAS on July 27, 2001, COSL was incorporated as a wholly-owned subsidiary of the Trust and thereafter acquired all of the issued and outstanding common shares of each of COSII and AOSII;

AND WHEREAS the Original Trust Indenture has been amended by the First Amending Agreement, the Second Amending Agreement, the Third Amending Agreement and the Distribution Date Amendment and has been supplemented by the First Supplement;

AND WHEREAS, although the Unitholders approved further amendments to the Original Trust Indenture at an annual and special meeting of Unitholders on April 25, 2002, the Manager did not proceed in full with the Unit Option and Distribution Equivalent Plan and did not proceed with the Senior Employee Unit Purchase Plan as described in the Management Proxy Circular dated March 8, 2002 (the "Circular"), and therefore, the consequential amendments to the Original Trust Indenture described in the Circular are not required;

AND WHEREAS COSL, COSII and AOSII, each subsidiaries of the Trust, amalgamated pursuant to section 184(1) of the *Business Corporations Act* (Alberta) effective January 1, 2003 (the "Amalgamation"), with COSL being the only Manager of the Trust and owning both the AOSII Working Interest and the COSII Working Interest;

AND WHEREAS the Unitholders approved amendments to the Original Trust Indenture at an annual and special meeting on April 22, 2003 (the "2003 Meeting");

AND WHEREAS the Trust completed the acquisition of the EnCana Working Interest in 2003 (the "Acquisition") and now holds, through COSL, the AOSII Working Interest, the COSII Working Interest and the EnCana Working Interest;

AND WHEREAS the Unitholders approved further amendments to the Original Trust Indenture at an annual and special meeting of Unitholders on June 1, 2005 (the "2005 Meeting");

AND WHEREAS the parties hereto have agreed to enter into this amended and restated indenture as of the 1st day of June, 2005, to amend and restate the Original Trust Indenture taking into account the First Amending Agreement, the Second Amending Agreement, the Third Amending Agreement, the First Supplement, the Distribution Date Amendment, the Merger, the Amalgamation, the Acquisition and certain other changes approved by the Unitholders at the 2003 Meeting and the 2005 Meeting;

NOW, THEREFORE, THIS INDENTURE WITNESSETH that, in consideration of the premises and the mutual and respective covenants and agreements contained herein, the Trustee declares, and covenants and agrees with and in favour of the holders from time to time of the Trust Units, as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Indenture including the recitals and schedules hereto, and in the Trust Unit Certificates, unless the context otherwise requires, the following terms shall have the following meanings:

- (a) **"Affiliate"** means, with respect to a person, any corporation or other person that, directly or indirectly, controls, is controlled by, or is under common control with such person, for which purpose "control" means, in the case of a corporation, the right to exercise more than 50% of the voting rights in the appointment of the directors of the corporation and, in the case of another person, the ability to determine material decisions of such other person;
- (b) **"AOSII"** means Athabasca Oil Sands Investments Inc., a predecessor to COSL;
- (c) **"AOSII Working Interest"** means the 11.74% working interest in the Syncrude Project that was acquired by AOSII from the Province of Alberta in 1995;
- (d) **"AOST"** means Athabasca Oil Sands Trust, now known as Canadian Oil Sands Trust;
- (e) **"Auditors"** means PriceWaterhouse Coopers LLP, Chartered Accountants, or such other firm of chartered accountants as may be appointed as auditor or auditors of the Trust, by or in accordance with Article 15;
- (f) **"Business Day"** means a day other than a Saturday, Sunday or other day that is a statutory holiday or municipal holiday in Calgary, Alberta or on which the principal chartered banks located in Calgary, Alberta are not open for business;
- (g) **"Cash Redemption Price"** has the meaning set forth in Section 17.3 hereof;
- (h) **"Common Shares"** means the common shares in the capital of COSL and any other Working Interest Owner;
- (i) **"COSII"** means Canadian Oil Sands Investments Inc., a predecessor to COSL;
- (j) **"COSII Working Interest"** means the 10.0% working interest in the Syncrude Project that was acquired by COSII from PanCanadian Petroleum Limited in 1996;
- (k) **"COSL"** means Canadian Oil Sands Limited or its successor or successors from time to time;
- (l) **"Counsel"** means a law firm reasonably acceptable to the Trustee;
- (m) **"Date of Closing"** means the date on which an issue of Trust Units to the public pursuant to an Offering is completed;
- (n) **"Distributable Income"** has the meaning set forth in Section 5.1 hereof;

- (o) **"Distribution Date Amendment"** means the amendment to the Original Trust Indenture, as previously amended, made effective as of December 10, 2001 pursuant to Section 5.2 of this Trust Indenture;
- (p) **"EnCana Working Interest"** means the 13.75% working interest in the Syncrude Project that was acquired from EnCana Corporation in 2003;
- (q) **"EUB"** means the Alberta Energy and Utilities Board;
- (r) **"First Amending Agreement"** means an agreement amending the Original Trust Indenture made as of May 21, 1997;
- (s) **"First Supplement"** means the first supplemental indenture of the Trust dated August 7, 2001;
- (t) **"In Specie Distributed Interest"** has the meaning set forth in Section 17.6 hereof;
- (u) **"In Specie Redemption Price"** has the meaning set forth in Section 17.6 hereof;
- (v) **"Income Tax Act"** has the meaning set forth in Section 1.3 hereof;
- (w) **"Issue Expenses"** means all expenses of an Offering payable by the Trust including legal fees, accounting fees and printing expenses and all other fees and expenses which may be described, whether generally or specifically, in any Offering Document relating to the particular Offering, but excluding Underwriters' Fees and Trust Expenses;
- (x) **"Lender"** means the lender or lenders (or any of its or their Affiliates) providing one or more credit or debt facilities, hedging or swap facilities or any other ancillary facilities to the Trust, the Working Interest Owner or any other Affiliate of the Trust in respect of the ownership and operation of its assets, business and affairs;
- (y) **"Management Agreement"** means the Management Agreement between the Trust and COSL, as the successor of AOSII and COSII, as the same may be amended from time to time, and includes any subsequent agreement between the Trustee and a manager whereby the manager is engaged to provide certain services in connection with the management and administration of the Trust or the Trust Royalty, as set forth herein and therein;
- (z) **"Manager"** means COSL, in its capacity as manager of the Trust pursuant to the Management Agreement or its successor as manager of the Trust from time to time;
- (aa) **"Marketing Agreement"** means the marketing agreement between COSL as the successor of AOSII and COSII, and an affiliate of EnCana Corporation (collectively, "EnCana"), the successor of PanCanadian Petroleum Limited, dated as of July 5, 2001 pursuant to which EnCana has agreed to provide certain marketing services to COSL, as amended or replaced from time to time either with EnCana or another party or as part of the Manager's services;

- (bb) **"Material Contracts"** means this Trust Indenture, the Management Agreement, the Royalty Agreement, each as amended and replaced from time to time, and any Underwriting Agreement;
- (cc) **"Merger"** means the merger of AOST with Canadian Oil Sands Trust to form Canadian Oil Sands Trust on the terms and conditions set forth in the Business Combination Agreement dated May 11, 2001;
- (dd) **"Net Proceeds"** means the proceeds of an Offering after deduction of Underwriters' Fees and Issue Expenses;
- (ee) **"Non-Resident"** means a person that is not a Resident;
- (ff) **"Offering"** means an offering of Trust Units or rights to acquire Trust Units (including subscription receipts for Trust Units) on a public or private basis pursuant to Offering Documents in Canada or elsewhere;
- (gg) **"Offering Documents"** means any one or more of a prospectus, information memorandum, private placement memorandum, take-over bid circular, rights offering circular, proxy circular, purchase and sale agreement and similar public or private offering document, or any understanding, commitment or agreement to issue or offer Trust Units or rights to acquire Trust Units used for an Offering;
- (hh) **"Oil Sands Interests"** means interests of any nature and kind in and to, or related, connected or ancillary to, oil sands and the exploration for, and production, extraction, transporting, upgrading, refining and marketing of oil sands, crude bitumen, derivatives of crude bitumen and other related petroleum products, including, without limitation:
 - (i) the Oil Sands Leases and other license and leases to produce oil sands;
 - (ii) interests in the Syncrude Project;
 - (iii) assets and facilities of any kind used in connection with or ancillary to the foregoing, including, without limitation:
 - (A) assets and facilities used in production and extraction operations, whether mining or in situ operations and including SAGD and other thermal and non-thermal recovery operations;
 - (B) pipeline and transportation facilities;
 - (C) electricity or power generating assets; and
 - (D) upgrading and refining facilities;
- (ii) **"Oil Sands Leases"** means Government of Alberta Oil Sands Leases Nos. 7597050T10, 759730T12, 7279120T17, 7280040T22, 7280090T29, 7280090T30, 7280100T31 and 7280110T34 and all leases and other documents of title issued in renewal or extension thereof or in substitution therefor and all amendments thereto

together with all other oil sands leases interests which are owned by COSL or acquired by the Working Interest Owner, from time to time, through its participation in the Syncrude Project or otherwise;

- (jj) **"Ordinary Course Business Decisions"** means, in relation to any In Specie Distributed Interest which constitutes an undivided interest in a royalty in which the Trustee also has an undivided interest, all decisions associated with the management, administration and operation of such royalty, other than any decision to transfer, mortgage, encumber or dispose of such In Specie Distributed Interest;
- (kk) **"Ordinary Resolution"** means a resolution approved at a meeting of Unitholders by more than 50% of the votes cast in respect of the resolution by or on behalf of Unitholders present in person or represented by proxy at the meeting;
- (ll) **"outstanding"**, in relation to Trust Units, has the meaning attributed thereto in Section 1.2 hereof;
- (mm) **"person"** means an individual, corporation, company, partnership, association or trust;
- (nn) **"Quarterly Distribution Dates"** has the meaning set forth in Section 5.1 hereof;
- (oo) **"Pro Rata Share"** of any particular amount in respect of a Unitholder at any time shall be the product obtained by multiplying the number of Trust Units that are owned of record by that Unitholder at that time by the amount obtained when the particular amount is divided by the total number of all Trust Units that are issued and outstanding at that time;
- (pp) **"Resident"** means a person who is not a non-resident of Canada for purposes of the Income Tax Act and a partnership that is a Canadian partnership for purposes of the Income Tax Act;
- (qq) **"Royalty Agreement"** means the agreement between the Trust and COSL made effective December 31, 2004 regarding the Trust Royalty, as such agreement may be amended or supplemented from time to time;
- (rr) **"Second Amending Agreement"** means an agreement to further amend the Original Trust Indenture, as previously amended, made as of December 24, 1999;
- (ss) **"Security Interest"** has the meaning set forth in Section 17.3 hereof;
- (tt) **"Settled Amount"** means the amount of one hundred dollars in lawful money of Canada paid by the Settlor to Montreal Trust Company of Canada, as trustee of the Trust, for the purpose of settling the Trust;
- (uu) **"Settlor"** means RBC Dominion Securities Inc.;
- (vv) **"Short Term Investments"** means (i) interest bearing accounts of certain financial institutions, including Canadian chartered banks and the Trustee, (ii) obligations issued or guaranteed by the Government of Canada or any province of Canada or any

agency or instrumentality thereof, (iii) term deposits, guaranteed investment certificates, certificates of deposit or bankers' acceptances of or guaranteed or accepted by any Canadian chartered bank or other financial institution (including the Trustee and any Affiliate or the Trustee) the short-term debt or deposits of which have been rated at least A1 or the equivalent thereof by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. or any successor thereof, or at least P1 or the equivalent thereof by Moody's Investor Service, Inc. or any successor thereof or which have been rated at least A1 by CBRS Inc. or any successor thereof or at least R1 by Dominion Bond Rating Service Limited or any successor thereof, and (iv) commercial paper rated at least A1 or the equivalent by CBRS Inc. or any successor thereof and R1 (high) by Dominion Bond Rating Service Limited or any successor thereof, in each case maturing within 180 days after the date of acquisition.

- (ww) **"Special Distribution"** means the special cash distribution paid to unitholders of AOST of record on July 4, 2001 in the amount of \$0.50 per Trust Unit;
- (xx) **"Special Resolution"** has the meaning set forth in Section 10.8 hereof;
- (yy) **"Subsequent Investment"** has the meaning set forth in Section 4.1 hereof;
- (zz) **"Subsidiary"** means, with respect to a person, a corporation or other person controlled, directly or indirectly, by that person, for which purpose "control" has the meaning given in the definition of "Affiliate";
- (aaa) **"Syncrude Project"** means (a) the scheme for recovery of oil sands, crude bitumen or products derived therefrom originally approved in Approval No. 1920 of the Energy Resources Conservation Board of Alberta and concurrently approved in Approval Nos. 8573 and 8250, as issued by the EUB, as such scheme may be amended or superseded from time to time, (b) all property now owned or hereafter acquired or developed by the owners participating from time to time in such scheme or by Syncrude Canada Ltd. on their behalf in connection with such scheme, (c) the oil sands leases and (d) any other scheme or schemes implemented for the purpose of recovering oil sands, crude bitumen or products derived from those oil sands leases related to such scheme or schemes and all property acquired or developed in connection with such scheme or schemes;
- (bbb) **"Third Amending Agreement"** means an agreement to further amend the Original Trust Indenture, as previously amended, made as of July 5, 2001;
- (ccc) **"Transfer Agent"** means the Trustee, its successors or assigns, in its capacity as transfer agent for the Trust Units, or such other company as may from time to time be appointed by the Trustee to act as transfer agent for the Trust Units together, in either such case, with any subtransfer agent duly appointed by the transfer agent;
- (ddd) **"Trust"** refers to the trust relationship between the Trustee and the Unitholders with respect to the Trust, upon the terms and conditions set out herein from time to time and, if the context requires, may also refer to the Trust Fund;

- (eee) **"Trust Expenses"** means all expenses incurred by the Trustee, the Manager or any third party, in each case for the account of the Trust, in connection with this Indenture, the establishment and ongoing management of the Trust and the ongoing administration of the Trust Units, including without limitation those amounts payable to the Trustee under Sections 7.7 and 7.8, and all amounts payable to the Manager under the Management Agreement or other agreements with the Manager;
- (fff) **"Trust Fund"**, at any time, shall mean all monies, properties and assets as are at such time held by the Trust or by the Trustee on behalf of the Trust:
- (i) the Settled Amount;
 - (ii) the securities of the Working Interest Owner, including, without limitation, the Common Shares;
 - (iii) all funds realized by the Trust from the sale of Trust Units or rights to acquire Trust Units;
 - (iv) any Short Term Investments in which funds may from time to time be invested;
 - (v) the Trust Royalty or any other royalty held by the Trust and all rights in respect of and income generated from such royalties;
 - (vi) any Subsequent Investment and all rights in respect of and income generated from such investments;
 - (vii) any proceeds of disposition of any of the foregoing property including, without limitation, the Trust Royalty or any other royalty; and
 - (viii) all income, interest, profit, gains and accretions and additional assets, rights and benefits of any kind or nature whatsoever arising directly or indirectly from or in connection with or accruing to such foregoing property or such proceeds of disposition;
- (ggg) **"Trust Royalty"** means the royalty payable on the Working Interest and any additional working interests in the Syncrude Project subsequently acquired by the Working Interest Owner pursuant to the Royalty Agreement;
- (hhh) **"Trust Unit Certificate"** means the definitive certificate evidencing one or more Trust Units;
- (iii) **"Trust Units"** means the Trust Units of the Trust created, issued and certified hereunder and for the time being outstanding and entitled to the benefits hereof;
- (iii) **"Trustee"** means the party of the First Part hereunder or its successor or successors or permitted assigns for the time being as trustee hereunder;
- (kkk) **"Underwriters' Fees"** means the amount so designated in an underwriting agreement;

- (lll) "Underwriting Agreement" means any underwriting, agency or similar agreement entered into by the Trustee and investment dealers, and such other persons, including the Manager, as may be party thereto, relating to an Offering;
- (mmm) "Unitholders" means the holders from time to time of one or more Trust Units;
- (nnn) "Working Interest" means, collectively, the AOSII Working Interest, the COSII Working Interest and the EnCana Working Interest and other working interests in Oil Sands Interests acquired, directly or indirectly, by the Trust;
- (ooo) "Working Interest Owner" means the owner of the Working Interest, being COSL as of the date hereof; and
- (ppp) "year" means a calendar year.

1.2 Meaning of "Outstanding"

Every Trust Unit created, issued, certified and delivered hereunder shall be deemed to be outstanding until it shall be cancelled or delivered to the Trustee for cancellation provided that:

- (a) when a new Trust Unit Certificate has been issued in substitution for a Trust Unit Certificate which has been lost, stolen or destroyed, only one of such Trust Unit Certificates shall be counted for the purpose of determining the number of Trust Units outstanding; and
- (b) for the purposes of any provision of this Indenture entitling holders of outstanding Trust Units to vote, sign consents, requisitions or other instruments or take any other action under this Indenture, Trust Units owned directly or indirectly, legally or equitably, by the Manager or any affiliate thereof shall be disregarded except that for the purpose of determining whether the Trustee shall be protected in relying on any such vote, consent, requisition or other instrument or action only the Trust Units which the Trustee knows are so owned shall be so disregarded.

1.3 Income Tax Act

In this Indenture, any reference to the Income Tax Act shall refer to the Income Tax Act, Revised Statutes of Canada 1985, Chapter 1 (5th Supplement) and the Income Tax Regulations and Income Tax Application Rules, as amended from time to time applicable with respect thereto. Any reference herein to a particular provision of the Income Tax Act shall include a reference to that provision as it may be renumbered or amended from time to time. Where there are proposals for amendments to the Income Tax Act which have not been enacted into law or proclaimed into force on or before the date on which such proposals are to become effective, the Trustee may take such proposals into consideration and apply the provisions hereof as if such proposals had been enacted into law and proclaimed into force.

1.4 Headings

The division of this Indenture into Articles and Sections, subsections, clauses, subclauses and paragraphs and the provision of headings is for convenience of reference only and shall not affect the construction or interpretation of this Indenture.

1.5 Construction of Terms

Words importing the singular number only shall include the plural, and vice versa, and words importing gender shall include the masculine, feminine and neuter genders.

References in this Indenture to "this Trust Indenture", "this Indenture", "hereto", "herein", "hereof", "hereby", "hereunder" and similar expressions shall be deemed to refer to this instrument and not to any particular Article, Section or portion hereof, and include any and every instrument supplemental or ancillary hereto or in implementation hereof.

1.6 References to Acts Performed by Trust

Any reference in this Indenture to an act to be performed by the Trust shall be construed and applied for all purposes as if it referred to an act to be performed by the Trustee on behalf of the Trust or, to the extent applicable, by the Manager on behalf of the Trust and where reference is made in this Indenture to actions, rights or obligations of the Trustee, such reference shall be construed and applied for all purposes to refer to actions, rights or obligations of the Trustee in its capacity as Trustee of the Trust, and not in its other capacities, unless the context otherwise requires.

ARTICLE 2 **DECLARATION OF TRUST**

2.1 Settlement of Trust

The Settlor paid the Settled Amount to Montreal Trust Company of Canada pursuant to the Original Trust Indenture for the purpose of creating and settling the Trust.

2.2 Declaration of Trust

The Trustee hereby agrees to act as Trustee and declares and agrees to hold the Trust Fund in trust for the use and benefit of the Unitholders, their permitted assigns and personal representatives upon the trusts and subject to the terms and conditions hereinafter declared and set forth.

2.3 Name

The Trust, formerly known as Athabasca Oil Sands Trust, shall be known and designated as "Canadian Oil Sands Trust" from and after July 5, 2001 and, whenever lawful and convenient, the affairs of the Trust shall be conducted and transacted under that name. If the Trustee determines that the use of the name "Canadian Oil Sands Trust" is not practicable, legal or convenient, it may use such other designation or it may adopt such other name for the Trust as it deems appropriate and the Trust may hold property and conduct its activities under such other designation or name.

2.4 Nature of the Trust

The Trust is an open ended unincorporated investment trust, established for the purpose of purchasing and holding the Common Shares, the Trust Royalty and making Subsequent Investments as further specified in Section 4.1. The only undertaking of the Trust is and will be investing the funds of the Trust in the Common Shares, the Trust Royalty and other royalties in respect of oil sands interests and Subsequent Investments and the Trust shall not carry on any business. The Trust is not

and is not intended to be, shall not be deemed to be and shall not be treated as a general partnership, limited partnership, syndicate, association, joint venture, company, corporation or joint stock company nor shall the Trustee or the Unitholders or any of them or any person be, or be deemed to be, treated in any way whatsoever liable or responsible hereunder as partners, or joint venturers. The Trustee shall not be, or be deemed to be, an agent of the Unitholders and shall have no power to bind any Unitholder. The relationship of the Unitholders to the Trustee shall be solely that of beneficiaries of the Trust and their rights shall be limited to those conferred upon them by this Trust Indenture.

2.5 Legal Entitlements and Restrictions on Unitholders

- (a) The rights of each Unitholder to call for a redemption of Trust Units or a distribution or division of assets, monies, funds, income and capital gains held, received or realized by the Trustee are limited to those contained herein.
- (b) Subject to the terms and conditions of this Indenture, no Unitholder or Unitholders shall be entitled to interfere or give any direction to the Trustee or the Manager with respect to the affairs of the Trust or in connection with the exercise of any powers or authorities conferred upon the Trustee or the Manager under this Indenture.
- (c) The legal ownership of the assets of the Trust and the right to conduct the activities of the Trust (subject to the limitations contained herein) are vested exclusively in the Trustee, and the Unitholders shall have no interest therein and, subject to Article 17, they shall have no right to compel or call for any partition, division, dividend or distribution of the Trust Fund or any of the assets of the Trust. The Trust Units shall be personal property and shall confer upon the holders thereof only the interest and rights specifically set forth in this Trust Indenture. No Unitholder has or is deemed to have any right of ownership in any of the assets of the Trust.

2.6 Liability of Unitholders

No Unitholder, in its capacity as such, shall incur or be subject to any liability in contract or in tort or of any other kind to any person in connection with the Trust Fund or the obligations or the affairs of the Trust or with respect to any act performed by the Trustee or by any other person pursuant to this Indenture or with respect to any act or omission of the Trustee or any other person in the performance or exercise, or purported performance or exercise, of any obligation, power, discretion or authority conferred upon the Trustee or such other person hereunder or with respect to any transaction entered into by the Trustee or by any other person pursuant to this Indenture and no Unitholder, in its capacity as such, shall be liable to indemnify the Trustee or any other person with respect to any such liability or liabilities incurred by the Trustee or by any such other person or persons or with respect to any taxes payable by the Trust or by the Trustee or any other person on behalf of or in connection with the Trust; provided, however, to the extent that notwithstanding the foregoing, any Unitholder, in its capacity as such, may be determined by a court of competent jurisdiction to be subject to such liabilities, such judgment and any writ of execution or similar process in respect thereof, shall be enforceable only against, and shall be satisfied only out of, the Trust Fund.

2.7 Contracts of the Trust

The Trustee and the Manager shall use commercially reasonable efforts to ensure that every contract entered into by or on behalf of the Trust, whether by the Trustee, the Manager or otherwise, shall (except as the Trustee may otherwise expressly agree in writing with respect to personal liability of the Trustee) include a provision substantially to the following effect:

The parties hereto acknowledge that the [Trustee] [Manager] is entering into this agreement solely [in its capacity as Trustee] [in its capacity as agent] [on behalf] of the Trust and the obligations of the Trust hereunder shall not be personally binding upon the [Manager], the Trustee or any of the Unitholders of the Trust and that any recourse against the Trust, the Trustee or any Unitholder in any manner in respect of any indebtedness, obligation or liability of the Trust arising hereunder or arising in connection herewith or from the matters to which this agreement relates, if any, including without limitation claims based on negligence or otherwise tortious behavior, shall be limited to, and satisfied only out of, the Trust Fund as defined in the Trust Indenture governing the Trust.

2.8 Head Office of Trust

The head office of the Trust is, as of the hereof, and shall be located at 2500 First Canadian Centre, 350 – 7th Avenue S.W., Calgary, Alberta, T2P 3N9 or at such other place or places as the Trustee may from time to time designate.

ARTICLE 3 ISSUE AND SALE OF TRUST UNITS

3.1 Nature and Ranking of Trust Units

- (a) The beneficial interests in the Trust shall be divided into interests of one class, described and designated as Trust Units, which shall be entitled to the rights and subject to the limitations, restrictions and conditions set out herein; and the interest of each Unitholder shall be determined by the number of Trust Units registered in the name of the Unitholder.
- (b) Each Trust Unit represents an equal fractional undivided beneficial interest in the Trust Fund. All Trust Units outstanding from time to time shall be entitled to equal shares in any distributions by the Trust and, in the event of termination of the Trust, in the net assets of the Trust. All Trust Units shall rank among themselves equally and rateably without discrimination, preference or priority whatever may be the actual date or terms of issue of the same respectively.
- (c) The aggregate number of Trust Units which may be authorized and issued hereunder is limited to 500,000,000 Trust Units.

3.2 Offerings of Trust Units

Trust Units or rights to acquire Trust Units may be offered pursuant to Offering Documents on terms and conditions and at such time or times as the Manager may determine.

3.3 Issue of Trust Units

- (a) Trust Units are issuable only in fully registered form. Certificates evidencing Trust Units authorized pursuant to Section 3.2 shall forthwith be executed by the Manager and delivered to the Trustee and shall thereupon be certified by and on behalf of the Trustee and shall be delivered by the Trustee to or upon the written order of the Manager.
- (b) No Trust Unit Certificate shall be issued or, if issued, shall entitle the holder to the benefits of this Indenture, until it has been certified by or on behalf of the Trustee substantially in the form set out in Schedule A hereto or in some other form approved by the Trustee. Such certification on any Trust Unit Certificate shall be conclusive evidence that such Trust Unit Certificate is duly issued and the holder thereof is entitled to the benefits hereof. The certificate of the Trustee signed on the Trust Unit Certificates shall not be construed as a representation or warranty by the Trustee as to the validity of this Indenture or of the Trust Unit Certificates or as to the issuance of the Trust Unit Certificates. The certificate of the Trustee signed on any Trust Unit Certificate shall, however, be a representation and warranty by the Trustee that such Trust Unit Certificate has been duly certified by or on behalf of the Trustee pursuant to the provisions of this Indenture.

3.4 Certificates for Trust Units

The definitive form of certificate for the Trust Units (i) shall be in the English language, substantially in the form set forth in Schedule A hereto, (ii) shall be dated as of the date of issue thereof and (iii) shall contain such distinguishing letters and numbers as the Trustee may prescribe.

3.5 Trust Units Non-Assessable

Trust Units shall be issued only when fully paid and the Unitholders shall not thereafter be required to make any further contribution to the Trust with respect to such Trust Units.

3.6 No Pre-Emptive Rights

No person shall be entitled, as a matter of right, to subscribe for or purchase any Trust Unit. There are no preemptive rights attaching to the Trust Units.

3.7 No Fractional Trust Units

Fractions of Trust Units shall not be issued, except pursuant to distributions of additional Trust Units to all Unitholders pursuant to Section 5.6 or as a consequence of a consolidation under Section 3.9.

3.8 Transferability of Trust Units

The Trust Units are transferable.

3.9 Consolidation of Trust Units

Unless otherwise determined by the Trustee, immediately after any *pro rata* distribution of additional Trust Units to all Unitholders pursuant to Section 5.6, the number of outstanding Trust Units will be consolidated such that each Unitholder will hold, after the consolidation, the same number of Trust Units as the Unitholder held before the distribution of additional Trust Units. In such case, each Trust Unit Certificate representing a number of Trust Units prior to the distribution of additional Trust Units is deemed to represent the same number of Trust Units after the distribution of additional Trust Units and the consolidation. Notwithstanding the foregoing, where tax is required to be withheld in respect of a Unitholder's share of the distribution; (i) the consolidation of the Trust Units held by such Unitholder will result in such Unitholder holding that number of Trust Units equal to the number of Trust Units held by such Unitholder prior to the distribution minus the number of Trust Units withheld on account of withholding taxes payable by the Unitholder in respect of the distribution; and (ii) the consolidation shall not apply to any Trust Units so withheld. Any Trust Units so withheld shall be sold and the net proceeds shall be remitted to the appropriate taxation authority. Such Unitholder will be required to surrender the Trust Unit Certificates, if any, representing such Unitholder's original Trust Units, in exchange for a Trust Unit Certificate representing such Unitholder's post-consolidation Trust Units. Such consolidation shall not constitute a redemption or cancellation of the Trust Units so consolidated and a Unitholder whose Trust Units are consolidated shall not receive, and shall not be entitled to receive, any proceeds of disposition in respect thereof.

3.10 Non-Resident Ownership Constraint

At no time may more than one-half of the outstanding Trust Units be held by Non-Residents. If at any time the Trustee or the Manager becomes aware, as a result of requiring declarations as to beneficial ownership under Section 7.11 or otherwise, that the beneficial owners of 49% of the Trust Units then outstanding are or may be Non-Residents or that such a situation is imminent, the Trustee or the Manager may make a public announcement thereof and shall not accept a subscription for Trust Units from or issue or register a transfer of Trust Units to a person unless the person provides a declaration pursuant to Section 7.11 that the person is not a Non-Resident. If notwithstanding the foregoing, the Trustee determines that more than 49% of the Trust Units are held by Non-Residents or that such situation is imminent, the Trustee may send a notice to Non-Resident holders of Trust Units, chosen in inverse order to the order of acquisition or registration or in such other manner as the Trustee may consider equitable and practicable, requiring them to sell their Trust Units or a specified portion thereof within a specified period of not less than 60 days. If the Unitholders receiving such notice have not sold the specified number of Trust Units or provided the Trustee with satisfactory evidence that they are not Non-Residents within such period, the Trustee or the Manager may on behalf of such Unitholders sell such Trust Units and, in the interim, shall suspend the voting and distribution rights attached to such Trust Units. Any sale shall be made on any stock exchange on which the Trust Units are then listed and, upon such sale, the affected holders shall cease to be holders of the relevant Trust Units and their rights shall be limited to receiving the net proceeds of sale upon surrender of the certificates representing such Trust Units. The Trustee or the Manager may direct the Transfer Agent to do any of the foregoing.

ARTICLE 4
INVESTMENTS OF TRUST FUND

4.1 Subsequent Investments

The Net Proceeds of Offerings by the Trust and assets of the Trust shall be used by the Trustee for Short Term Investments or any investment which a "unit trust" and a "mutual fund trust" is entitled to make for purposes of the Income Tax Act, provided that such investment derives its value from Oil Sands Interests, including, without limitation:

- (a) to purchase and hold the Common Shares and the Trust Royalty;
- (b) to acquire or invest in royalties, or units or securities representing an interest in royalties, in respect of Oil Sands Interests and making any deferred royalty purchase payments which may be required with respect to such royalties; provided, however, that in no event shall the Trust invest in any royalties which constitute an interest in land or a covenant running with the properties with respect to which such royalties relate;
- (c) to acquire or invest in debt instruments issued by, or to make loans, advances or capital contributions, to the Working Interest Owner, or any other Subsidiary or Affiliate of the Trust or any other business entity in which the Trust has an interest, direct or indirect, on a subordinated basis or otherwise, or to apply the same in payment of distributions to Unitholders pursuant to Article 5 hereof;
- (d) to acquire or invest in securities or properties of whatever nature or kind, including, but not limited to, those issued by the Working Interest Owner, or any other Subsidiary or Affiliate of the Trust, to fund the acquisition of or investment in Oil Sands Interests or royalties, or units or securities representing an interest in royalties, in respect of Oil Sands Interests whether effected through an acquisition of assets or an acquisition of shares or other form of ownership interests in any entity, the substantial majority of the assets of which are comprised of like assets;
- (e) investing in the securities of any other entity deriving its value from Oil Sands Interests, including without limitation, bodies corporate, partnerships or trusts;

(hereinafter collectively referred to as "Subsequent Investments") and to pay costs, fees and expenses associated with the foregoing or incidental thereto all on the terms and conditions and at such time or times as the Manager may determine.

The Trustee may convert or exchange any Short-Term Investment or Subsequent Investment for any other Short-Term Investment or Subsequent Investment in accordance with the terms of the investment, securities or properties or on such terms and conditions and at such time or times as the Manager may determine.

4.2 Mutual Fund Trust

The Trust is established primarily for the benefit of Residents and it is intended, at all times the Trust qualify as a "mutual fund trust" for purposes of the Income Tax Act and that at all times the

Trust Units do not constitute "foreign property" for purposes of the Income Tax Act, subject to the obligation of the Trustee or the Manager pursuant to Section 3.10. In furtherance of that intention, the Trustee shall use its reasonable commercial efforts to ensure that the Trust maintains its status as a mutual fund trust for purposes of the Income Tax Act, including without limitation by making the election contemplated by Section 16.6.

4.3 Other Investments

To the extent that any monies or other property received by the Trust or the Trustee are not to be immediately used by the Trustee for the purpose of making a Subsequent Investment or a distribution under Article 5 of this Indenture, the Trustee, or the Manager on behalf of the Trustee, is hereby authorized and, where prudent to do so, shall invest such monies in Short Term Investments. The Trustee shall not and nor shall the Manager on behalf of the Trustee, purchase or authorize the purchase of any investment which is "foreign property" under subsection 206(1) of the Income Tax Act if that purchase would result in the Trust Units being treated as "foreign property" for purposes of Part XI of the Income Tax Act.

ARTICLE 5 **DISTRIBUTIONS**

5.1 Distributions

Subject to Section 5.2 the Trustee shall determine, as of the end of each of the months of March, June, September and December for the three month period then ended, the sum of (a) all amounts received by the Trustee from the Working Interest Owner in respect of the Trust Royalty, and (b) all other income received by the Trustee from investment of the Trust Fund, less the sum of (c) all Trust Expenses, and (d) any other amounts (including, without limitation, taxes) required by law or hereunder to be deducted, withheld or paid (such amount referred to herein as "Distributable Income"). On the last Business Day of the months of February, May, August and November in each year (the "Quarterly Distribution Dates"), the Trustee shall distribute all Distributable Income for the previous three month period to Unitholders of record as at the close of business on or about the last day of the month immediately preceding the Quarterly Distribution Date in accordance with the pro rata share of each Unitholder (provided that the Trustee may deduct or withhold amounts required by law from any Unitholder's distributions). A Unitholder shall have the right to enforce the payment of its share of such Distributable Income on any such distribution date.

Without the consent or approval of Unitholders, distributions other than those made on the Quarterly Distribution Dates (and including, without limitation, the Special Distribution) may be made out of the Trust Fund on the terms and conditions and at such time or times as the Manager may, in its sole discretion, determine.

5.2 Change of Quarterly Distribution Date

Notwithstanding Section 5.1, the Trustee may change the Quarterly Distribution Dates or any of them at any time, subject to having given the Unitholders not less than 60 days prior written notice, and may change the record date for any distribution upon compliance with any requirements of applicable law and the rules of any stock exchange.

5.3 Receipt of Payment in Kind

The Trust may elect to receive the synthetic crude oil associated with the Trust Royalty in kind in accordance with the Royalty Agreement only if:

- (a) The Trustee shall have entered into a marketing agreement on the same terms and with the same party as the Marketing Agreement then in effect;
- (b) The Trustee shall have obtained insurance adequate in the Trustee's reasonable opinion to insure the Trust against losses and liabilities to third parties and under environmental or other statutory requirements with respect to any spills or emissions which may arise in connection with the transportation and sale of production attributable to the Working Interest; and
- (c) The approval of the Unitholders by Special Resolution has been obtained.

The Trustee shall deal with the proceeds of sale of any such synthetic crude oil received in kind in the manner set forth in the Royalty Agreement, and shall not treat any of such proceeds as Distributable Income until all payments, deductions, charges and reimbursement obligations set forth in the Royalty Agreement shall have been made or satisfied.

5.4 Net Realized Capital Gains to Become Payable

The Trustee may, in respect of each quarter, declare due and payable to the Unitholders of record on the Quarterly Distribution Date next following the quarter end date, or such earlier date as the Trustee shall determine, all of the net realized capital gains of the Trust to the extent not previously declared due and payable pursuant to Section 5.1 for such quarter. The Pro Rata Share so due and payable pursuant to this Section 5.4 shall be determined with respect to the number of Trust Units in the Trust issued and outstanding on that quarter end date and the number of Trust Units owned of record by the Unitholder on that quarter end date and shall be due and payable to each such Unitholder on the next succeeding Quarterly Distribution Date following such quarter end date. For the purposes of this Article 5, net realized capital gains of the Trust means the total of all capital gains realized by the Trust less the total of all capital losses realized by the Trust, excluding any capital gains or losses arising from the distribution of an In Specie Distributed Interest in respect of Trust Units tendered for redemption, all as determined for purposes of the Income Tax Act. Notwithstanding the foregoing, the amount of any net realized capital gains of the Trust that is determined by the Trustee to be required to be retained by the Trust in order to pay any tax liability of the Trust shall not be due and payable by the Trust to Unitholders.

Amounts due and payable under this Section 5.4 shall be paid without interest or penalty on the Quarterly Distribution Date next following such quarter end date provided however that if such Quarterly Distribution Date is not a Business Day, the amount to be paid on that date shall be paid on the next Business Day preceding such Quarterly Distribution Date and such day shall be the Quarterly Distribution Date for the purpose of such amount.

5.5 Amounts Payable in Cash

Amounts payable to Unitholders pursuant to Article 5 shall, subject to Section 5.6, be paid in cash.

5.6 Distribution of Additional Units

Where after the last quarter end date and on or before the next quarter end date the amount of cash available to satisfy any distribution of Distributable Income of the Trust is less than the amount of Distributable Income, whether as a consequence of an amount or amounts being paid under Section 17.3 in respect of Trust Units tendered for redemption, or otherwise, distributions of Distributable Income payable to Unitholders on the next Quarterly Distribution Date may, at the option of the Manager, include a distribution of additional Trust Units having a value equal to the cash shortfall. In such case, the amount of cash to be distributed on the Quarterly Distribution Date shall be reduced by the cash shortfall. In addition, if on any Quarterly Distribution Date the Trust does not have cash in an amount sufficient to pay the full amount of any other distribution to be made on such Quarterly Distribution Date, including, without limitation, any amounts due and payable under Section 5.1 and Section 5.4 the distribution payable to Unitholders on such Quarterly Distribution Date may, at the option of the Manager, include a distribution of additional Trust Units having a value equal to the cash shortfall, in which case the amount of cash to be distributed on the distribution shall be reduced by the amount of such cash shortfall. For the purposes of this Section 5.6, the value of each additional Unit to be issued shall be the closing trading price (or if there was no trade, the average of the last bid and the last ask prices) of the Trust Units on the Quarterly Distribution Date (or if the Quarterly Distribution Date is not a Business Day, on the last Business Day preceding the Quarterly Distribution Date) on the principal stock exchange on which the Trust Units are listed or, if not so listed, such other value as the Manager shall reasonably determine. Certificates representing such additional Trust Units shall be delivered to Unitholders within seven (7) days of the Quarterly Distribution Date.

5.7 Withholding Taxes

The Trustee may deduct or withhold from distributions payable to any Unitholder all amounts required by law (or proposed law) to be withheld from such distribution, whether those distributions are in the form of cash, additional Trust Units or otherwise. In the event of a distribution in the form of additional Trust Units, the Trustees or the Manager, on behalf of the Trustee, may sell Trust Units of those Unitholders to pay those withholding taxes and to pay all of the Trustee's reasonable expenses with regard thereto and the Trustees or the Manager, on behalf of the Trustee, shall have the power of attorney of the Unitholder to do so. Any such sale shall be made on any stock exchange on which the Trust Units are then listed and upon that sale, the affected Unitholder shall cease to be the holder of those Trust Units.

5.8 Character of Distributions and Designations

In accordance with and to the extent permitted by Income Tax Act, the Trustee in each year shall make designations in respect of the amounts payable to Unitholders for such amounts that the Trustee considers to be reasonable in all of the circumstances, including, without limitation, designations relating to taxable dividends received by the Trust in the year on shares of taxable Canadian corporation, net capital gains realized by the Trust in the year and foreign source income of the Trust for the year, as well as elect under subsections 104(13.1) and/or (13.2) of the Income Tax Act that income be taxed to the Trust, rather than to the Unitholders.

5.9 Payments of Cash

- (a) Any payments of cash by the Trust to a Unitholder pursuant to this Article 5 or pursuant to any other provision of this Indenture will be conclusively deemed to have been made upon mailing of a cheque in a postage pre-paid envelope, addressed to the Unitholder at the Unitholder's address appearing in the register of Unitholders unless such cheque is dishonoured upon presentment. Upon such payment, the Trust shall be discharged from all liability to the Unitholder in respect of such payment except to replace any cheque which is lost or destroyed. In the case of joint registered Unitholders, any cash payment required hereunder to be made to a Unitholder shall be deemed to be made to such Unitholders jointly and shall be paid by cheque or bank draft.
- (b) A Unitholder or any one of the joint Unitholders may designate and the Trustee may accept that any payment required to be made hereunder shall be made by deposit to an account of such Unitholder or to a joint account of such Unitholder and any other person or in the case of joint registered Unitholders to an account of joint registered Unitholders or to an account of any one of the joint registered Unitholders. A cheque or bank draft shall, unless the joint registered Unitholders otherwise direct, be payable to the order of all of the said joint registered Unitholders, and if more than one address appears on the books of the Trust in respect of such joint unitholding, the cheque or bank draft of payment in other acceptable manner as aforesaid shall satisfy and discharge all liability of the Trustee or the Trust for the amount so required to be paid unless the cheque or bank draft is not paid at par on presentation at any place where by its terms it is payable. In the event of non-receipt of any such cheque or bank draft by the person to whom it is mailed, the Trustee, on proof of the non-receipt and upon satisfactory indemnity being given to them and to the Trust, shall issue to the person a replacement cheque or bank draft for a like amount.

5.10 Distribution Reinvestment and Trust Unit Purchase Plan

Subject to any required approvals and any Unitholder approval imposed under applicable laws or regulatory approvals, the Trustee, when directed by the Manager, shall establish one or more Unitholder rights plans, distribution reinvestment plans and Trust Unit purchase plans, incentive option plans or other compensation plans at any time and from time to time.

ARTICLE 6

APPOINTMENT, RESIGNATION AND REMOVAL OF TRUSTEE

6.1 Trustee's Term of Office

Subject to Sections 6.2 and 6.3, Montreal Trust Company of Canada or its successor is hereby appointed for an initial term of office which shall expire immediately upon the tenth annual meeting of Unitholders (calculated from the date of the first annual meeting of Unitholders following October 5, 1995). A decision to reappoint, or to appoint a successor to, a Trustee shall be made at the tenth annual meeting of Unitholders and thereafter at each third annual meeting of Unitholders following the date any reappointment or appointment is made. Any such reappointment or appointment shall be made either by a resolution approved by a majority of the votes cast at such

meeting of Unitholders or shall be made in the manner set out in Section 6.4. Notwithstanding the foregoing, if a Trustee is not reappointed at the meeting of Unitholders held immediately before the term of office of such Trustee expires and if no successor to such Trustee is appointed at that meeting, such Trustee shall continue to hold the office of Trustee under this Indenture until a successor has been appointed under Section 6.4.

6.2 Resignation of Trustee

The Trustee may resign from the office of trustee hereunder on giving not less than 60 days' notice in writing to the Manager but no such resignation shall be effective until (i) the appointment of, and acceptance of such appointment by, a new Trustee in the place of the resigning Trustee has been made in the manner set out in Section 6.4, and (ii) the legal and valid assumption by the new trustee of the Trust of all obligations of the Trustee related hereto.

6.3 Removal of Trustee

The Trustee shall be removed by notice in writing delivered by the Manager to the Trustee in the event that, at any time, the Trustee shall no longer satisfy all of the requirements in Section 6.6 or shall be declared bankrupt or insolvent or shall enter into liquidation, whether compulsory or voluntary, and not being merely a voluntary liquidation for the purposes of amalgamation or reconstruction, or if the assets of the Trustee shall otherwise become liable to seizure or confiscation by any public or governmental authority or if the Trustee shall otherwise become incapable of performing or shall fail in any material respect to perform its responsibilities under this Indenture or as a result of a material increase in the fees charged by the Trustee. No decision to remove a Trustee under this Section 6.3 shall become effective until (i) approved by a Special Resolution at a meeting of Unitholders duly called for that purpose; (ii) the appointment of, and acceptance of such appointment by, a new Trustee under Section 6.4 in the place of the Trustee to be removed; and (iii) the legal and valid assumption by the new Trustee of all obligations of the Trustee related hereto in the same capacities as the resigning Trustee.

6.4 Appointment of Successor to Trustee

- (a) A successor to a Trustee who has been removed by a Special Resolution of Unitholders under Section 6.3 or which has given notice of resignation under Section 6.2, shall be appointed by an Ordinary Resolution at a meeting of Unitholders duly called for that purpose, provided the successor meets the requirements of Section 6.6.
- (b) Subject to Section 6.6, the Manager may appoint a successor to any Trustee who: (i) has been removed by a Special Resolution of the Unitholders under Section 6.3, (ii) which has not been reappointed under Section 6.1; or (iii) which has given a notice of resignation under Section 6.2, if the Unitholders fail to do so at such meeting.
- (c) No appointment of any successor Trustee (including under Section 6.5) shall be effective until such successor Trustee shall have complied with the provisions of Section 6.2 (ii).

6.5 Failure to Appoint Successor

In the event that no successor to a Trustee who has delivered a notice of resignation in accordance with Section 6.2, or who has received notice of removal in accordance with Section 6.3, has accepted an appointment within 120 days after the receipt by the Manager of the notice of resignation, or 60 days after the receipt by the Trustee of the notice of removal, the Trustee, the Manager or any Unitholder may apply to a court of competent jurisdiction for the appointment of a successor to the Trustee. The appointment of such successor by such court shall not require the approval of Unitholders.

6.6 Qualifications of Trustee

The Trustee and any successor to the Trustee or new Trustee appointed under this Article 6 shall be a corporation incorporated under the laws of Canada or of a province thereof and shall be a resident of Canada for purposes of the Income Tax Act. Such corporation must at all times when it is the Trustee be registered under the laws of the Province of Alberta to carry on the business of a trust company and must have undertaken in writing to discharge all of the obligations and responsibilities of the Trustee under this Indenture. The Trustee shall be a corporation which has reported in its last annual audited consolidated financial statements shareholders' equity of at least \$100 million, which financial statements shall be dated not more than 505 days prior to the date of appointment.

ARTICLE 7 **CONCERNING THE TRUSTEE**

7.1 Powers of the Trustee

Subject to the terms and conditions of this Indenture, and any other contracts or obligations of the Trustee or the Trust, the Trustee may exercise from time to time in respect of the Trust and the Trust Fund any and all rights, powers and privileges that could be exercised by a beneficial owner thereof that is a natural person.

7.2 Specific Powers and Authorities

Subject only to the express limitations contained in this Indenture and any other contracts or obligations of the Trustee or the Trust, and in addition to any powers and authorities conferred by this Indenture (including, without limitation, Section 7.1 hereof) or which the Trustee may have by virtue of any present or future statute or rule of law, the Trustee without any action or consent by the Unitholders shall have the following powers and authorities which may be exercised by it from time to time or delegated by it, as herein provided, in its sole judgment and discretion and in such manner and upon such terms and conditions as it may from time to time deem proper provided that, for greater certainty, the exercise of powers and authorities does not adversely affect the status of the Trust as a "unit trust" and a "mutual fund trust" for purposes of the Income Tax Act:

- (a) to supervise the activities and manage the investments and affairs of the Trust;
- (b) to manage the Trust Fund;
- (c) to issue Trust Units and rights to acquire Trust Units;

- (d) to maintain books and records;
- (e) to provide timely reports to Unitholders in accordance with the provisions hereof;
- (f) to effect payment of distributions to Unitholders;
- (g) to open, operate and close accounts and other similar credit, deposit and banking arrangements and to negotiate and sign banking and financing contracts and agreements;
- (h) to determine conclusively the allocation to capital, income or other appropriate accounts of all receipts, expenses and disbursements;
- (i) to determine conclusively the value of any or all of the Trust Fund from time to time and, in determining that value, to consider any information and advice as the Trustee in its sole judgment, may deem material and reliable;
- (j) to deposit funds of the Trust in interest-bearing accounts in banks or trust companies whose short term obligations constitute Short Term Investments, including those of the Trustee, the same to be subject to withdrawal on such terms and in such manner and by such person or persons (including any one or more officers, agents or representatives) as the Trustee may determine;
- (k) to possess and exercise all the rights, powers and privileges pertaining to the ownership of all or any part of the assets of the Trust, to the same extent that an individual might, unless otherwise limited herein, and, without limiting the generality of the foregoing, to vote or give any consent, request or notice, or waive any notice, either in person or by proxy or power of attorney, with or without power of substitution, to one or more persons, which proxies and powers of attorney may be for meetings or action generally or for any particular meeting or action and may include the exercise of discretionary power and the Trustee shall ensure that the directors of the Working Interest Owner and the Manager be elected or appointed (or reelected or reappointed, as the case may be) at intervals not exceeding eighteen months.
- (l) where reasonably required, to engage or employ any persons as agents, representatives, employees or independent contractors (including, without limitation, investment advisers, registrars, underwriters, accountants, lawyers, appraisers, brokers or otherwise) in one or more capacities;
- (m) to collect, sue for and receive all sums of money coming due to the Trust, and to engage in, intervene in, prosecute, join, defend, compromise, abandon or adjust, by arbitration or otherwise, any actions, suits, proceedings, disputes, claims, demands or other litigation relating to the Trust, the assets of the Trust or the Trust's affairs, to enter into agreements therefor, whether or not any suit is commenced or claim accrued or asserted and, in advance of any controversy, to enter into agreements regarding the arbitration, adjudication or settlement thereof;

- (n) to arrange for insurance contracts and policies insuring the assets of the Trust against any and all risks and insuring the Trust and/or any or all of the Trustee or the Unitholders against any and all claims and liabilities of any nature asserted by any person arising by reason of any action alleged to have been taken or omitted by the Trust or by the Trustee or Unitholders;
- (o) to cause legal title to any of the assets of the Trust to be held by and/or in the name of the Trustee, or except as prohibited by law, by and/or in the name of the Trust or any other person, on such terms, in such manner, with such powers in such person as the Trustee may determine and with or without disclosure that the Trust or the Trustee is interested therein, provided that should legal title to any of the assets of the Trust be held by and/or in the name of any person other than the Trustee or the Trust, the Trustee shall require such person to execute a trust agreement acknowledging that legal title to such assets is held in trust for the benefit of the Trust;
- (p) to renew or extend or participate in the renewal or extension of any security, upon such terms as may be deemed advisable, and to agree to a reduction in the rate of interest on any security or to any other modification or change in the terms of any security or of any guarantee pertaining thereto, in any manner and to any extent that it may deem advisable; to waive any default whether in performance of any covenant or condition of any security, or in the performance of any guarantee or to enforce the rights in respect of any such default in such manner and to such extent that it may deem advisable; to exercise and enforce any and all rights of foreclosure, to bid on property on sale or foreclosure, to take a conveyance in lieu of foreclosure with or without paying a consideration therefor and in connection therewith to relieve the obligation on the covenants secured by such security and to exercise and enforce in any action, suit or proceeding at law or in equity any rights or remedies with respect to any such security or guarantee;
- (q) to make, execute, acknowledge and deliver any and all deeds, contracts, waivers, releases or other documents of transfer and any and all other instruments in writing necessary (including tax elections or designations) or proper for the accomplishment of any of the powers herein granted;
- (r) without the approval or confirmation of Unitholders, enact and from time to time amend or repeal by-laws not inconsistent with this Indenture containing provisions relating to the Trust, the Trust Fund and the conduct of the affairs of the Trust, but not in conflict with any provision of this Indenture;
- (s) to pay all taxes or assessments, of whatever kind or nature, whether within or outside Canada, imposed upon or against the Trustee in connection with the Trust Fund, the undertaking of the Trust or Net Income of the Trust, or imposed upon or against the Trust Fund, the undertaking of the Trust or Net Income of the Trust, or any part thereof, and to settle or compromise disputed tax liabilities and for the foregoing purposes to make such returns, take such deductions, and make such designations, elections and determinations in respect of Net Income of the Trust or Net Realized Capital Gains distributed to Unitholders in the year and any other matter as shall be permitted under the Income Tax Act (provided that to the extent necessary the Trustee will seek the advice of Counsel or the Auditor), and do all such other acts and

things as may be deemed by the Trustee in its sole discretion to be necessary, desirable or convenient;

- (t) to pay out of the Trust Fund all reasonable fees, costs and expenses incurred in the administration of the Trust including, without limitation, the Trust Expenses;
- (u) except as prohibited by law, to delegate any or all of the management and administrative powers and duties of the Trustee to the Manager and to any one or more agents, representatives, officers, employees, independent contractors or other persons without liability to the Trustee except as provided in this Indenture;
- (v) to guarantee the obligations of the Working Interest Owner or any other Affiliate of the Trust pursuant to any debt for borrowed money or obligations resulting or arising from hedging instruments incurred by the Working Interest Owner or any such Affiliate, as the case may be, and each such guarantee entered into by the Trustee regardless of when such guarantee is or was granted, shall be binding upon, and enforceable in accordance with its terms against, the Trust and the Trust Fund;
- (w) to enter into on behalf of the Trust and observe and perform its obligations and the obligations of the Trust under any agreements with any Lender, including, without limitation, compliance with any provisions thereof which may restrict the powers of the Trustee hereunder or preclude the Trustee from acting in certain circumstances on resolutions of the Unitholders as might otherwise be provided for hereunder, and each such agreement entered into by the Trustee shall be binding upon, and enforceable in accordance with its terms against, the Trust;
- (x) to pledge the Common Shares as security for any guarantee by the Trust of the borrowings of the Working Interest Owners;
- (y) to convey the Trust Royalty or a portion thereof in accordance with the terms of the Royalty Agreement in connection with any realization by Lenders upon the Working Interest or the Common Shares (whether such realization is as to the whole or only part of such asset), or the disposition of either pursuant to the terms of security interests provided to Lenders in relation to any borrowing by the Working Interest Owner that are guaranteed by the Trust;
- (z) to enter into a subordination agreement with any Lender to the Corporation or any Affiliate of the Trust pursuant to which the Trust agrees to subordinate its right to receive principal, interest, dividends or income (or any other obligations of the Working Interest Owner or any Affiliate to the Trust) to the right of any such Lender to be paid obligations owing to it by the Working Interest Owner or any Affiliate of the Trust, and which agreement may further provide, without limitation, that in the event of a default by the Working Interest Owner or any such Affiliate to any of its Lenders, including any such default in connection with credit or debt facilities, swap or hedging agreements or any other ancillary facilities, none of the Working Interest Owner or any such Affiliate will make any further payments in respect of such obligations to the Trust and the Trust will not make any further cash distributions to Unitholders, and each such subordination entered into by the Trustee shall be binding upon, and enforceable in accordance with its terms against, the Trust;

- (aa) to use its reasonable commercial efforts to ensure that (i) the Trust qualifies at all times as a "mutual fund trust" pursuant to subsection 132(6) of the Income Tax Act and (ii) the Trust Units will not be "foreign property" within the meaning of Part XI of the Income Tax Act; for greater certainty, in order to fulfil its obligations to ensure the Trust maintains its status as a "mutual fund trust" for purposes of the Income Tax Act having regard, *inter alia*, to the provisions of subsection 132(7) of the Income Tax Act, the Trustee shall have the right to require Unitholders to sell Trust Units, to require Unitholders to provide evidence of their status as a Resident or Non-Resident, to suspend the voting rights and/or distribution rights attaching to Trust Units held by Unitholders who refuse to comply with a notice requiring them to sell Trust Units, and to sell, on behalf of such Unitholders, their Trust Units and to pay to them only the net proceeds of such sale;
- (bb) to advance any amount to the Working Interest Owner or any other Affiliate or subsidiary of the Trust as a loan, including amounts which may be advanced to the Working Interest Owner to finance future acquisition and development of the Oil Sands Interests;
- (cc) to enter into, perform and enforce the Material Contracts and any other contracts of the Trust;
- (dd) without limiting any of the provisions hereof, to pay out of the Trust Fund:
 - (i) Underwriting Fees;
 - (ii) the purchase price of any royalties and any amounts in respect of Short-Term Investments or Subsequent Investments;
 - (iii) the purchase price of the Common Shares;
 - (iv) Issue Expenses; and
 - (v) all advisory, structuring or termination fees in connection with a merger, arrangement, amalgamation or reorganization of the Trust or any of its Affiliates,all as contemplated by the Offering Documents, this Indenture or other Material Contracts;
- (ee) to issue and deliver additional Trust Units to Unitholders as provided in Section 5.6;
- (ff) to redeem Trust Units in accordance with Article 17;
- (gg) to issue and deliver In Specie Distributed Interests to Unitholders as provided in Section 17.6;
- (hh) to form any subsidiary of the Trust for the purpose of making any Subsequent Investment and entering into or amending any unanimous shareholders agreement or other agreement on such terms as may be approved by the board of directors of the Manager;

- (ii) to subdivide or consolidate from time to time the issued and outstanding Trust Units;
- (jj) to provide indemnities for the directors and officers of any Affiliates of the Trust;
- (kk) to distribute notes as provided in Article 17;
- (ll) to vote Subsequent Investments held by the Trust which carry voting rights in such manner as may be approved by the board of directors of the Manager; and
- (mm) to do all such other acts and things as are incidental to this Section 7.2, and to exercise all powers which are necessary or useful to carry on the business of the Trust, to promote any of the purposes for which the Trust is formed and to carry out the provisions of this Indenture.

7.3 Banking

The banking business of the Trust, or any part thereof, shall be transacted with such bank, trust company (including the Trustee) or other firm or corporation carrying on a banking business as the Trustee may designate, appoint or authorize from time to time and all such banking business, or any part thereof, shall be transacted on the Trust's behalf by such one or more officers of the Trustee or other persons (who may be officers of the Manager) as the Trustee may designate, appoint or authorize from time to time.

7.4 Standard of Care

Except as otherwise provided herein, the Trustee shall exercise its powers and carry out its functions hereunder as trustee honestly, in good faith and in the best interests of the Trust and the Unitholders and, in connection therewith, shall exercise that degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances, subject to compliance by the Trustee with any agreements contemplated hereby which may be binding on the Trustee or the Trust. Unless otherwise required by law, the Trustee shall not be required to give bond, surety or security in any jurisdiction for the performance of any duties or obligations hereunder. The Trustee, in its capacity as trustee, shall not be required to devote its entire time to the business and affairs of the Trust.

7.5 Fees and Expenses

The Trustee shall be entitled to be paid from the Trust Fund such fees as may be agreed upon from time to time by the Manager and the Trustee. As part of Trust Expenses, the Trustee may pay or cause to be paid reasonable fees, costs and expenses incurred in connection with the administration and management of the Trust, including (without limitation) fees of auditors, lawyers, appraisers and other agents, consultants and professional advisers employed by or on behalf of the Trust and the cost of reporting or giving notices to Unitholders. All costs, charges and expenses (including any amounts payable to the Trustee under Sections 7.7 or 7.8) properly incurred by the Trustee on behalf of the Trust shall be payable out of the Trust Fund. The Trustee shall have a lien on the Trust Fund (which shall have priority over the interests of the Unitholders pursuant hereto) to enforce payment of the fees, costs, expenses and other amounts payable or reimbursable by the Trust to the Trustee.

7.6 Limitations on Liability of Trustee

The Trustee, its officers and agents shall not be liable to any Unitholder for any action taken in good faith in reliance on any documents that are, prima facie, properly executed, for any depreciation of, or loss to, the Trust Fund incurred by reason of the sale of any property, for any inaccuracy in any evaluation provided by the Manager or any other appropriately qualified person, for relying on any such evaluation, for any action or failure to act of the Manager, or for any other action or failure to act (including, without limitation, the failure to compel in any way any former trustee to redress any breach of trust or any failure by the Manager to perform its duties under this Indenture or any Material Contract), unless such liabilities arise out of the Trustee's or such officer's or agent's gross negligence, wilful default or fraud. If the Trustee has retained an appropriate expert or advisor with respect to any matter connected with its duties under this Indenture or any Material Contract, the Trustee may act or refuse to act based on the advice of such expert or advisor and the Trustee shall not be liable for any action or refusal to act based on the advice of any such expert or advisor.

7.7 Indemnification of Trustee

The Trust (to the extent of the Trust Fund) is liable to, and shall indemnify and save harmless the Trustee and each of its officers and agents in respect of:

- (a) any liability and all costs, charges and expenses sustained or incurred in respect of any action, suit or proceeding that is proposed or commenced against the Trustee or against such officer or agent, as the case may be, for or in respect of anything done or permitted to be done in respect of the Trust and the execution of all duties, responsibilities, powers and authorities pertaining thereto; and
- (b) all other costs, charges, taxes, penalties and interest in respect of unpaid taxes and all other expenses and liabilities sustained or incurred by the Trustee in respect of the administration or termination of the Trust;

unless any of the foregoing arises out of the Trustee's or such officer's or agent's gross negligence, wilful default or fraud, in which case the provisions of this Section 7.7 shall not apply.

7.8 Environmental Indemnity

- (a) Subject to Section 7.8(c), the Trust is liable to, and shall indemnify and save harmless, the Trustee, its directors, officers, employees, and agents, and all of their successors and assigns (collectively, the "Indemnified Parties") against any loss, expense, claim, liability or asserted liability (including strict liability and including costs and expenses of abatement and remediation of spills or releases or releases of contaminants and including liabilities of the Indemnified Parties to third parties (including governmental agencies) in respect of bodily injuries, property damage, damage to or impairment of the environment or any other injury or damage and including liabilities of the Indemnified Parties to third parties for the third parties' foreseeable and unforeseeable consequential damages) which result from or relate, directly or indirectly, to:
 - (i) the administration of the trust created hereby;

- (ii) the exercise by the Trustee of any rights or obligations hereunder;
 - (iii) the presence or release of any contaminants, by any means or for any reason, on or in respect of the Syncrude Project, whether or not release or presence of the contaminants was under the control, care or management of the Trust or the Manager, or of a previous owner;
 - (iv) any contaminant present on or released from any contiguous property to the Syncrude Project; or
 - (v) the breach or alleged breach of any environmental laws by the Trust or the Manager.
- (b) For purposes of this Article 7.8, "liability" shall include (i) liability of an Indemnified Party for costs and expenses of abatement and remediation of spills and releases of contaminants, (ii) liability of an Indemnified Party to a third party to reimburse the third party for bodily injuries, property damages and other injuries or damages which the third party suffers, including (to the extent, if any, that the Indemnified Party is liable therefor) foreseeable and unforeseeable consequential damages suffered by the third party and (iii) liability of the Indemnified Party for damage to or impairment of the environment.
- (c) In no event shall the Trust be liable to indemnify an Indemnified Party against any loss, expense, claims, liability or asserted liability to the extent resulting from the gross negligence, wilful default or fraud of the Indemnified Party.

7.9 Apparent Authority

No purchaser, transfer agent or other person dealing with the Trustee or with any officer, employee or agent of the Trustee shall be bound to make any inquiry concerning the validity of any transaction purporting to be made by the Trustee or by such officer, employee or agent or make inquiry concerning, or be liable for, the application of money or property paid, lent or delivered to or on the order of the Trustee or of such officer, employee or agent. Any person dealing with the Trustee in respect of any matter pertaining to the Trust Fund and any right, title or interest therein shall be entitled to rely on a certificate, statutory declaration or resolution executed or certified on behalf of the Trustee as to the capacity, power and authority of any officer, employee or any other person to act for and on behalf and in the name of the Trust.

7.10 Notice to Unitholders of Non-Eligibility for Deferred Income Plans

If the Trustee becomes aware that the Trust Units have ceased to be eligible investments for registered retirement savings plans, registered retirement income funds and deferred profit sharing plans (all within the meaning of the Income Tax Act) or any of such plans, the Trustee shall give notice to Unitholders at their latest address as shown on the register of Unitholders that Trust Units have ceased to be eligible investments for such plans. Notwithstanding the foregoing, the Trustee shall not be liable to the Trust or to any Unitholder for any costs, expenses, charges, penalties or taxes imposed upon a Unitholder as a result of or by virtue of a Trust Unit not being an eligible investment for any such plan, notwithstanding any failure or omission of the Trustee to have given such notice, provided the Trustee has complied with Section 7.4.

7.11 Declaration as to Beneficial Ownership

The Trustee or the Manager, on behalf of the Trustee, may require any Unitholder as shown on the register of Unitholders to provide a declaration, in form prescribed by the Trustee or the Manager, as to the jurisdictions in which beneficial owners of the Trust Units registered in such Unitholder's name are resident and as to whether such beneficial owners are Residents.

7.12 Conditions Precedent to Trustee's Obligations to Act

The obligation of the Trustee to commence or continue any act, action or proceeding for the purpose of enforcing the rights of the Trustee and of the Unitholders shall be conditional upon the Manager or Unitholders furnishing, when required by notice in writing by the Trustee, sufficient funds to commence or continue such act, action or proceeding and indemnity (to the extent sufficient funds for such purpose are not available in the Trust Fund) reasonably satisfactory to the Trustee to protect and hold harmless the Trustee against the costs, charges and expenses and liabilities to be incurred therein and any loss and damage it may suffer by reason thereof. None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers unless indemnified as aforesaid.

ARTICLE 8
MANAGEMENT OF THE TRUST

8.1 The Manager

Except as expressly prohibited by law, the Trustee may grant or delegate to the Manager such authority as the Trustee may in its sole discretion deem necessary or desirable to effect the actual administration of the duties of the Trustee under this Indenture, without regard to whether such authority is normally granted or delegated by trustees. The Trustee does hereby grant broad discretion to the Manager to administer and manage the day-to-day operations of the Trust, to act as agent for the Trust, to execute documents on behalf of the Trust and to make executive decisions which conform to general policies and general principles set forth herein (including those set forth in Sections 7.1 and 7.2) or previously established by the Trustee, provided that the Manager shall make no decisions with respect to the voting or disposition of the Common Shares (other than as may be approved by the Unitholders). The Manager shall have the powers and duties expressly provided for herein and in any management agreement including, without limitation, the power to further delegate administration of the Trust and the Trust Fund and the power to retain and instruct such appropriate experts or advisors to perform those duties and obligations herein which it is not qualified to perform (and the Manager shall notify the Trustee of the name of the person or persons to whom such further delegation or retainer is made and the terms and conditions thereof). The Trustee may enter into a contract with the Manager relating to the Manager's authority, term of appointment, compensation and any other matters deemed desirable by the Trustee.

8.2 Specific Delegations

For greater certainty, but without limiting the generality of Section 8.1 and the other matters delegated to the Manager hereunder, the Trustee hereby expressly delegates, to the Manager, responsibility for:

- (a) the issuance of Trust Units or rights to acquire Trust Units, in any circumstances such as private placements, distributions to the public, distributions to Unitholders or distributions pursuant to incentive plans;
- (b) negotiating, approving and entering into any agreements relating to business combinations, arrangements, amalgamations, mergers or other similar significant transactions and payment of all fees agreed to therein or related thereto, provided that consummation of such transactions are subject to Unitholders approval;
- (c) establishing special distributions as described in Section 5.1;
- (d) establishing and repaying of credit facilities or debt arrangements for the Trust or its subsidiaries;
- (e) the maximization of Unitholder value in the context of a response to an offer for Trust Units or for all or substantially all of the property and assets of the Trust or the Working Interest Owner or any subsidiary or Affiliate of the Trust (an "Offer") including: (A) any Unitholder rights protection plan either prior to or during the course of any Offer; (B) any defensive action either prior to or during the course of any Offer; (C) the preparation of any directors' circular in response to any Offer; (D) consideration on behalf of Unitholders and recommendations to Unitholders in response to any Offer; (E) any regulatory or court action in respect of any related matters; and (F) the carriage of all related and ancillary matters; and
- (f) any or all matters relating to the offering of Trust Units or rights to acquire Trust Units, including (i) ensuring compliance with all applicable laws, (ii) all matters relating to the content of any Offering Documents and the accuracy of the disclosure contained therein, including the certification thereof, (iii) all matters concerning the terms of the Material Contracts, and (iv) all matters concerning any Underwriting Agreement.

The Manager may, and if directed by the Manager the Trustee shall, execute any agreements on behalf of the Trust as the Manager shall have authorized within the scope of any authority delegated to it hereunder.

8.3 Power of Attorney

Without limiting any of the other provisions of this Article 8, the Trustee hereby delegates to the Manager from time to time the full power and authority, and constitutes the Manager its true and lawful attorney in fact, to sign on behalf of the Trust all prospectuses, annual information forms, management proxy circulars, other Offering Documents and any other documents ancillary or similar thereto required to be signed by the Trust from time to time.

8.4 Acceptance of Delegation

The Manager accepts the delegations in this Article 8 and agrees that, in respect of such matters, it shall carry out its functions honestly, in good faith and in the best interests of the Trust and the Unitholders and, in connection therewith, shall exercise that degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. The Manager may,

and if directed by the Manager in writing the Trustee shall, execute any agreements on behalf of the Trust as the Manager shall have authorized within the scope of any authority delegated to it hereunder.

8.5 Liability of Trustee

The Trustee shall have no liability or responsibility for any actions of the Manager hereunder or under the Management Agreement and the Trustee, in relying upon the Manager, shall be deemed to have complied with its obligations under Section 7.4 hereof.

8.6 Performance of Duties

In the event that the Manager is unable or unwilling to perform its obligations under the Management Agreement, or there is no Manager, the Trustee shall either perform all duties of the Manager thereunder or shall be entitled to engage another person that is duly qualified to perform such obligations.

ARTICLE 9
AMENDMENT

9.1 Amendment

Except where specifically provided otherwise, the provisions of this Indenture and the Royalty Agreement may only be amended by the Trustee with the consent of the Unitholders by Special Resolution.

Any of the provisions of this Indenture or the Royalty Agreement may be amended by the Trustee at any time or times, without the consent, approval or ratification of any of the Unitholders or any other person, for the purpose of:

- (a) ensuring that the Trust will comply with any applicable laws, regulations, requirements or policies of any governmental agency or authority having jurisdiction over the Trustee or the Trust;
- (b) ensuring that the Trust will satisfy the provisions of each of subsections 108(2) and 132(6) of the Income Tax Act as from time to time amended or replaced;
- (c) making amendments which, in the opinion of the Trustee, based on the advice of Counsel, are necessary or desirable and in the interests of the Unitholders as a result of changes in taxation laws or policies of any governmental authority having jurisdiction over the Trustee or the Trust;
- (d) making amendments, which in the opinion of the Trustee provide additional protection or added benefits for the Unitholders;
- (e) removing or curing any conflicts or inconsistencies between the provisions of this Indenture or any supplemental indenture, the Management Agreement or the Trust Royalty and any other agreement of the Trust or any Offering Document filed with any regulatory or governmental body with respect to the Trust, or any applicable law

or regulation of any jurisdiction, provided that in the opinion of the Trustee the rights of the Trustee and of the Unitholders are not materially prejudiced thereby;

- (f) making changes for any other purpose not inconsistent with the terms of this Indenture and the Trust Royalty, including the correction or rectification of any ambiguities, defective or inconsistent provisions, errors, mistakes or omissions, provided that in the opinion of the Trustee the rights of the Trustee and of the Unitholders are not materially prejudiced thereby; and
- (g) making any modification in the form of Trust Unit Certificates to conform with the provisions of this Indenture, or any other modifications, provided the rights, based on the advice of Counsel, of the Trustee and of the Unitholders are not prejudiced thereby,

but, notwithstanding the foregoing, no such amendment shall be adopted which causes (i) the Trust to fail to qualify as a "mutual fund trust" under the Income Tax Act or (ii) the Trust Units to constitute "foreign property" for purposes of the Income Tax Act, without the consent of the Unitholders given as set out above and no amendment shall reduce the percentage of votes required to be cast at a meeting of Unitholders for the purpose of amending this Section 9.1 without the consent of all the holders of the Trust Units then outstanding.

The execution of this Indenture by the Working Interest Owner shall not in any manner constitute or be deemed to constitute the consent or agreement to any amendment of the Trust Royalty.

9.2 Notification of Amendment

As soon as shall be practicable after the making of any amendment pursuant to this Article 9, the Trustee shall furnish written notification of the substance of such amendment to each Unitholder in the next document sent to the Unitholders as a group.

ARTICLE 10

MEETINGS OF UNITHOLDERS

10.1 Meetings of Unitholders

Annual meetings of the Unitholders shall be held, commencing in 1996, on a day, at a time and at a place to be set by the Trustee. The business transacted at such meetings shall include the transaction of such business as Unitholders may be entitled to vote upon as hereinafter provided in this Article 10, or as the Trustee may determine. Special meetings of the Unitholders may be called at any time by the Trustee and shall be called by the Trustee upon a written request of Unitholders holding in the aggregate not less than 20% of the Trust Units then outstanding, such request specifying the purpose or purposes for which such meeting is to be called. Meetings of Unitholders shall be held in the City of Calgary, or at such other place as the Trustee or the Manager shall designate. The Chairman of any annual or special meeting shall be a person designated by the Trustee or Manager for the purpose of such meeting except that, on the motion of any Unitholder, any person may be elected as Chairman by a majority of the votes cast at the meeting instead of such designated person or in the event that no person shall be designated by the Trustee or the Manager.

10.2 Participation By Electronic Means

Any person entitled to attend a meeting of Unitholders shall be entitled to attend the meeting by means of a telephone, electronic or other communication facility, provided that the chairman is satisfied that all Unitholders will be able to communicate adequately with each other during such meeting. For greater certainty, a meeting of Unitholders may be held entirely by telephonic, electronic or other communication facility provided that the foregoing requirement is met. Any person participating in a meeting by telephone, electronic or other communication facility shall be deemed to be present at the meeting for all purposes.

10.3 Notice of Meetings

Notice of all meetings of Unitholders shall be given in accordance with Section 14.1 of this Indenture, sent at least 21 days and not more than 50 days before the meeting. Such notice shall set out the time when, and the place where, such meeting is to be held and the accompanying management information circular shall specify the nature of the business to be transacted at such meeting in sufficient detail to permit a Unitholder to form a reasoned judgment thereon, together with the text of any Special Resolution proposed. Any adjourned meeting may be held as adjourned without further notice. The accidental omission to give notice to or the nonreceipt of such notice by not more than 1% of the Unitholders shall not invalidate any resolution passed at any such meeting.

10.4 Quorum

At any meeting of Unitholders, subject as hereinafter provided, a quorum shall consist of two or more individuals present in person either holding personally or representing as proxies not less than 2% of the outstanding Trust Units. In the event of such quorum not being present at the appointed place on the date for which the meeting is called within 30 minutes after the time fixed for the holding of such meeting, the meeting, if convened on the requisition of Unitholders, shall be dissolved, but in any other case it shall stand adjourned to such day being not less than 14 days later and to such place and time as may be appointed by the Chairman of the meeting. If at such adjourned meeting a quorum as above defined is not present, the Unitholders present either personally or by proxy shall form a quorum, and any business may be brought before or dealt with at such an adjourned meeting which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same.

10.5 Voting Rights of Unitholders

Only Unitholders of record shall be entitled to vote and each Trust Unit shall entitle the holder or holders of that Trust Unit to one vote at any meeting of Unitholders. Every question submitted to a meeting, other than a Special Resolution, shall, unless a poll vote is demanded, be decided by a show of hands vote. At any meeting of Unitholders, any holder of Trust Units, entitled to vote thereat may vote by proxy and a proxy need not be a Unitholder, provided that no proxy shall be voted at any meeting unless it shall have been received by the Transfer Agent, or with such agent as the Trustee may direct, for verification no later than the time specified in the notice of meeting or such later time as the Chairman of the meeting may determine. If approved by the Trustee, proxies may be solicited in the name of the Trustee. When any Trust Unit is held jointly by several persons, any one of them may vote at any meeting in person or by proxy in respect of such Trust Unit but if more than one of them shall be present at such meeting in person or by proxy, and such joint owners of their proxies so present disagree as to any vote to be cast, the joint owner present or represented

whose name appears first in the register maintained pursuant to Section 11.3 shall be entitled to cast such vote and the burden of proving invalidity shall rest on the challenger.

10.6 Voting by Electronic Means

Notwithstanding any other provision contained in this Indenture, any person participating in a meeting of Unitholders by means of a telephonic, electronic or other communication facility and entitled to vote at that meeting may vote by means of the telephonic, electronic or other communication facility that the Trust has made available for that purpose, provided that such facility:

- (a) enables the votes to be gathered in a manner that permits their subsequent verification; and
- (b) permits the tallied votes to be presented to the Trust without it being possible for the Trust to identify how each Unitholder or group of Unitholders voted.

10.7 Resolutions

- (a) The Trustee shall not without the approval of an Ordinary Resolution:
 - (i) change the Auditors as provided in Section 15.3;
 - (ii) vote the Common Shares in favour of the appointment of a person, as auditor of the Working Interest Owner or the Manager, who is anyone other than the Auditors, for the time being, of the Trust;
 - (iii) vote the Common Shares in favour of the election of persons, as directors of the Working Interest Owner or the Manager, who were not previously approved by Ordinary Resolution of the Unitholders;
 - (iv) vote the Common Shares in favour of the ratification of any new bylaw of the Working Interest Owner or the Manager or the amendment, repeal or modification of any bylaw of the Working Interest Owner or the Manager; or
 - (v) vote the Common Shares in favour of any matter which requires security holder approval pursuant to stock exchange rules or securities laws, regulations or policies applicable to the Trust.
- (b) The Trustee shall not without the approval of a Special Resolution:
 - (i) subject to Section 9.1, amend this Indenture;
 - (ii) subject to Section 9.1, approve any amendment to the Trust Royalty;
 - (iii) elect to take synthetic crude oil in kind pursuant to the Trust Royalty;
 - (iv) subdivide or consolidate Trust Units;
 - (v) except as permitted by Section 17.6, sell or agree to sell the property of the Trust as an entirety or substantially as an entirety or, subject to the Trust

Royalty or Section 17.6, assign, transfer or dispose of the Trust Royalty in whole or in part; or

- (vi) vote the Common Shares in favour of any matter which, under the *Business Corporations Act* (Alberta) or such other legislation as may at the relevant time govern the Working Interest Owner, requires the sanction of a special resolution of the shareholders of the Working Interest Owners.

Except with respect to the above matters set out in this Section 10.7 and the matters set forth in Sections 6.3, 6.4 and 12.2 hereof, no action taken by the Unitholders or resolution of the Unitholders at any meeting shall in any way bind the Trustee.

10.8 Meaning of "Special Resolution"

- (a) The expression "Special Resolution" when used in this Indenture means, subject as hereinafter in this Article provided, a resolution proposed to be passed as a special resolution at a meeting of Unitholders (including an adjourned meeting) duly convened for the purpose and held in accordance with the provisions of this Article at which two or more holders of at least 20% of the aggregate number of Trust Units then outstanding are present in person or by proxy and passed by the affirmative votes of the holders of not less than 66 2/3% of the Trust Units represented at the meeting and voted on a poll upon such resolution.
- (b) If, at any such meeting, the holders of 20% of the aggregate number of Trust Units outstanding are not present in person or by proxy within 30 minutes after the time appointed for the meeting, then the meeting, if convened by or on the requisition of Unitholders, shall be dissolved; but in any other case it shall stand adjourned to such date, being not less than 21 nor more than 60 days later, and to such place and time as may be appointed by the chairman. Not less than ten days' prior notice shall be given of the time and place of such adjourned meeting in the manner provided in Section 10.3. Such notice shall state that at the adjourned meeting the Unitholders present in person or by proxy shall form a quorum but it shall not be necessary to set forth the purposes for which the meeting was originally called or any other particulars. At the adjourned meeting the Unitholders present in person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened and a resolution proposed at such adjourned meeting and passed by the requisite vote as provided in subsection (a) of this Section shall be a Special Resolution with the meaning of this Indenture, notwithstanding that the holders of less than 20% of the aggregate number of Trust Units then outstanding are present in person or by proxy at such adjourned meeting.
- (c) Votes on any Special Resolution shall always be given on a poll and no demand for a poll on any Special Resolution shall be necessary.

10.9 Record Date for Voting

For the purpose of determining the Unitholders who are entitled to vote or act at any meeting or any adjournment thereof, the Trustee may fix a date not more than 50 days and not less than 21 days prior to the date of any meeting of Unitholders as a record date for the determination of

Unitholders entitled to vote at such meeting or any adjournment thereof, and any Unitholder who was a Unitholder at the time so fixed shall be entitled to vote at such meeting or any adjournment thereof even though he has since that time disposed of his Trust Units, and no Unitholder becoming such after that time shall be so entitled to vote at such meeting or any adjournment thereof. In the event that the Trustee does not fix a record date for any meeting of Unitholders, the record date for such meeting shall be the Business Day immediately preceding the date upon which notice of the meeting is given as provided under Section 10.3.

10.10 Resolutions in Writing

Notwithstanding any other provision of this Indenture, a resolution in writing executed by Unitholders holding a proportion of Trust Units equal to or greater than the proportion of Trust Units required to vote in favour thereof at a meeting of Unitholders to approve that resolution is valid and binding for all purposes of this Indenture as if such Unitholders had exercised at that time all of the voting rights to which they were then entitled under Section 10.5 in favour of such resolution at a meeting of Unitholders duly called for the purpose.

10.11 Binding Effect of Resolutions

Every Ordinary Resolution and every Special Resolution passed in accordance with the provisions of this Indenture at a meeting of Unitholders shall be binding upon all the Unitholders whether present at or absent from such meeting, and each and every Unitholder shall be bound to give effect accordingly to every such Ordinary Resolution and Special Resolution.

10.12 Appointment of Inspector

The Trustee shall call a meeting of Unitholders upon the written request of Unitholders holding in the aggregate not less than 20% of the Trust Units then outstanding for the purpose of considering the appointment of an Inspector to investigate the performance by the Trustee of any of the responsibilities thereof. The Inspector shall have such powers not inconsistent herewith, as may be conferred upon him at the meeting when he is appointed but in all events shall not have any powers to act in any capacity as the Trustee hereunder or in place or in stead of the Trustee in any manner hereunder.

10.13 Solicitation of Proxies

A Unitholder shall have the right to appoint a proxy to attend and act for the Unitholder at any meeting of Unitholders. The Trustee or the Manager, on behalf of the Trustee, shall solicit proxies from Unitholders in connection with all meetings of Unitholders. In connection therewith, the Trustee or the Manager, on behalf of the Trustee, shall comply, as near as may be possible, with all provisions of the *Business Corporations Act* (Alberta) and the requirements of Canadian securities legislation applicable to the solicitation of proxies.

10.14 No Breach

Notwithstanding any provisions of this Indenture, Unitholders shall have no power to effect any amendment hereto which would require the Trustee to take any action which would constitute a breach or default by the Trust or the Trustee under any agreement binding on or obligation of the Trust or the Trustee.

ARTICLE 11
CERTIFICATES, REGISTRATION AND TRANSFER OF TRUST UNITS

11.1 Nature of Trust Units

The nature of a Trust Unit and the relationship of a Unitholder to the Trustee and the relationship of one Unitholder to another is as described in Section 2.4 and 3.1 and the provisions of this Article 11 shall not in any way alter the nature of Trust Units or the said relationships of a Unitholder to the Trustee and of one Unitholder to another, but are intended only to facilitate the issuance of certificates evidencing the ownership of Trust Units and the recording of all such transactions whether by the Trust, securities dealers, stock exchanges, transfer agents, registrars or other persons.

11.2 Certificates

- (a) The form of certificate representing Trust Units shall be substantially as set out in Schedule A hereto or such other form as is authorized from time to time by the Trustee. Each such certificate shall bear an identifying serial number and shall be certified manually on behalf of the Trustee. Any additional signature required by the Trustee to appear on such certificate may be printed, lithographed or otherwise mechanically reproduced thereon and, in such event, certificates so signed are as valid as if it had been signed manually. Any certificate which has one manual signature as hereinbefore provided shall be valid notwithstanding that one or more of the persons whose signature is printed, lithographed or mechanically reproduced no longer holds office at the date of issuance of such certificate. The Trust Unit Certificates may be engraved, printed or lithographed, or partly in one form and partly in another, as the Trustee may determine.
- (b) Any Trust Unit Certificate validly issued in accordance with the terms of this Indenture in effect at the date of issue shall validly represent issued and outstanding Trust Units, notwithstanding that the form of such Trust Unit Certificate may not be in the form currently required by this Indenture.

11.3 Register of Unitholders

A register shall be kept at the principal corporate trust office of the Trustee in the city of Calgary by the Trustee or by a Transfer Agent designated to act on behalf and under the direction of the Trustee, which register shall contain the names and addresses of, the Unitholders, the respective numbers of Trust Units held by them, the certificate numbers of the certificates representing such Trust Units and a record of all transfers thereof. Branch transfer registers shall be maintained at such other offices of the Trustee or Transfer Agent as the Trustee may from time to time designate. The Trustee shall designate an office in the Cities of Toronto and Montreal at which a branch register shall be maintained. Except in the case of the registers required to be maintained at the Cities of Calgary, Toronto and Montreal, the Trustee shall have the power at any time to close any register of transfers and in that event shall transfer the records thereof to another existing register or to a new register.

Only Unitholders whose certificates are so recorded shall be entitled to receive distributions or to exercise or enjoy the rights of Unitholders hereunder. The Trustee shall have the right to treat

the person registered as a Unitholder on the register of the Trust as the owner of such Trust Units for all purposes, including, without limitation, payment of any distribution, giving notice to Unitholders and determining the right to attend and vote at meetings of Unitholders, and the Trustee shall not be bound to recognize any transfer, pledge or other disposition of a Trust Unit or any attempt to transfer, pledge or dispose of a Trust Unit, or any beneficial interest or equitable or other right or claim with respect thereto, whether or not the Trustee shall have actual or other notice thereof, until such Trust Unit shall have been transferred on the register of the Trust as herein provided.

The registers referred to in this Section shall at all reasonable times be open for inspection by the Unitholders, the Manager and the Trustee.

11.4 Transfer of Trust Units

- (a) Subject to the provisions of this Article 11 and Section 3.10, the Trust Units shall be fully transferable without charge as between persons, but no transfer of Trust Units shall be effective as against the Trustee or shall be in any way binding upon the Trustee until the transfer has been recorded on the register or one of the branch registers of transfer maintained by the Trustee or Transfer Agent. No transfer of a Trust Unit shall be recognized unless such transfer is of a whole Trust Unit.
- (b) Subject to the provisions of this Article 11 and Section 3.10, Trust Units shall be transferable on the register or one of the branch registers of Unitholders of the Trust only by the Unitholders of record thereof or their executors, administrators or other legal representatives or by their agents hereunto duly authorized in writing, and only upon delivery to the Trustee or to a Transfer Agent of the Trust if appointed, of the certificate therefor, if certificates representing Trust Units are issued, properly endorsed or accompanied by a duly executed instrument of transfer and accompanied by all necessary transfer or other taxes imposed by law, together with such evidence of the genuineness of such endorsement, execution and authorization and other matters that may reasonably be required by the Trustee. Upon such delivery the transfer shall be recorded on the register of Unitholders and a new certificate for the residue thereof (if any) shall be issued to the transferor.
- (c) Any person becoming entitled to any Trust Units as a consequence of the death, bankruptcy or incompetence of any Unitholder or otherwise by operation of law, shall be recorded as the holder of such Trust Units and shall receive a new certificate therefor only upon production of evidence satisfactory to the Trustee or the Transfer Agent thereof and delivery of the existing certificate to the Trustee, but until such record is made the Unitholder of record shall continue to be and be deemed to be the holder of such Trust Units for all purposes whether or not the Trustee or the Transfer Agent shall have actual or other notice of such death or other event.

11.5 Trust Units Held Jointly or in a Fiduciary Capacity

The Trustee and the Transfer Agent may treat two or more persons holding any Trust Units as joint owners of the entire interest therein unless their ownership is expressly otherwise recorded on the register of the Trust, but no entry shall be made in the register or on any certificate that any person is in any other manner entitled to any future, limited or contingent interest in any Trust Units; provided, however that any person recorded as a Unitholder may, subject to the provisions

hereinafter contained, be described in the register or on any certificate as a fiduciary of any kind and any customary words may be added to the description of the holder to identify the nature of such fiduciary relationship. Where any Trust Unit Certificate is registered in more than one name, the distributions (if any) in respect thereof may be paid to the order of all such holders failing written instruction from them to the contrary and such payment shall be a valid discharge to the Trustee and any Transfer Agent. In the case of the death of one of more joint holders, the distributions (if any) in respect of any Trust Units may be paid to the survivor or survivors of such holders and such payment shall be a valid discharge to the Trustee and any Transfer Agent.

11.6 Performance of Trust

The Trustee, the Unitholders and any officer or agent of the Trustee shall not be bound to be responsible for or otherwise inquire into or ensure the performance of any trust, express, implied or constructive, or of any charge, pledge or equity to which any of the Trust Units or any interest therein are or may be subject, or to ascertain or enquire whether any transfer of any such Trust Units or interests therein by any such Unitholder or by his personal representatives is authorized by such trust, charge, pledge or equity, or to recognize any person as having any interest therein except for the person recorded as Unitholder.

11.7 Lost Certificates

In the event that any certificate for Trust Units is lost, stolen, destroyed or mutilated, the Trustee or the Transfer Agent may authorize the issuance of a new certificate for the same number of Trust Units in lieu thereof. The Trustee or the Transfer Agent may in its discretion, before the issuance of such new certificate, require the owner of the lost, stolen, destroyed or mutilated certificate, or the legal representative of the owner, to make an affidavit or statutory declaration setting forth such facts as to the loss, theft, destruction or mutilation as the Trustee or the Transfer Agent may deem necessary, to surrender any mutilated certificate and may require the applicant to supply to the Trust a "lost certificate bond" or a similar bond in such reasonable sum as the Trustee or the Transfer Agent may direct indemnifying the Trustee and its agent for so doing. The Trustee shall have the power to require from an insurer or insurers a blanket lost security bond or bonds in respect of the replacement of lost, stolen, destroyed or mutilated certificates. The Trustee shall pay all premiums and other funds of money payable for such purpose out of the Trust Fund with such contribution, if any, by those insured as may be determined by the Trustee in its sole discretion. If such blanket lost security bond is required, the Trustee may authorize and direct (upon such terms and conditions as the Trustee may from time to time impose) any agent to whom the indemnity of such bond extends to take such action to replace any lost, stolen, destroyed or mutilated certificate without further action or approval by the Trustee.

11.8 Death of a Unitholder

The death of a Unitholder during the continuance of the Trust shall not terminate the Trust or any of the mutual or respective rights and obligations created by or arising under this Indenture nor give such Unitholder's personal representative a right to an accounting or take any action in court or otherwise against other Unitholders or the Trustee or the Trust Fund, but shall entitle the personal representatives of the deceased Unitholder to demand and receive, pursuant to the provisions hereof, a new certificate for Trust Units in place of the certificate held by the deceased Unitholder, and upon the acceptance thereof such personal representatives shall succeed to all rights of the deceased Unitholder under this Indenture.

11.9 Unclaimed Interest or Distribution

In the event that the Trustee shall hold any amount of interest or other distributable amount which is unclaimed or which cannot be paid for any reason, the Trustee shall be under no obligation to invest or reinvest the same but shall only be obliged to hold the same in a current interest-bearing account pending payment to the person or persons entitled thereto. The Trustee shall, as and when required by law, and may at any time prior to such required time, pay all or part of such interest or other distributable amount so held to the public trustee (or other appropriate Government official or agency) whose receipt shall be a good discharge and release of the Trustee.

11.10 Exchanges of Trust Unit Certificates

Trust Unit Certificates representing any number of Trust Units may be exchanged for Trust Unit Certificates representing an equivalent number of Trust Units in the aggregate. Any exchange of Trust Unit Certificates may be made at the offices of the Trustee or at the offices of any Transfer Agent where registers are maintained for the Trust Unit Certificates pursuant to the provisions of this Article 11. Any Trust Unit Certificates tendered for exchange shall be surrendered to the Trustee or appropriate Transfer Agent and shall be cancelled. An exchange of Trust Unit Certificates under this Section 11.10 shall be without charge to the Unitholder; other than if the Trustee is not reimbursed for all exchange fees associated with any such exchange by the Manager or otherwise out of the Trust Fund, the Unitholder shall be responsible for all such fees and expenses.

ARTICLE 12 **TERMINATION**

12.1 Termination Date

Unless the Trust is terminated or extended earlier, the Trustee shall commence to wind up the affairs of the Trust on December 31, 2094.

12.2 Termination by Resolution of Unitholders

- (a) The Unitholders may vote by Special Resolution to terminate the Trust at any meeting of Unitholders duly called for the purpose, whereupon the Trustee shall commence to wind up the affairs of the Trust, provided that such a vote may only be held if requested in writing by the holders of not less than 25% of the Trust Units.
- (b) For the purpose of this Section and notwithstanding any other provision hereof, a quorum of 50% of the issued and outstanding Trust Units must be present or represented by proxy at the meeting or any adjournment thereof at which the vote is taken.

12.3 Procedure Upon Termination

Forthwith upon being required to commence to wind up the affairs of the Trust, the Trustee shall give notice thereof to the Unitholders, which notice shall designate the time or times at which Unitholders may surrender their Trust Units for cancellation and the date at which the register of the Trust shall be closed.

12.4 Powers of the Trustee upon Termination

After the date on which the Trustee is required to commence to wind up the affairs of the Trust, the Trustee shall carry on no activities except for the purpose of winding up the affairs of the Trust as hereinafter provided and, for these purposes, the Trustee shall continue to be vested with and may exercise all or any of the powers conferred upon the Trustee under this Indenture.

12.5 Sale of Investments

After the date referred to in Section 12.4, the Trustee shall proceed to wind up the affairs of the Trust as soon as may be reasonably practicable and for such purpose shall, subject to the terms of any agreements binding on or obligations of the Trust and the Trustee, sell and convert into money the Trust Royalty and other assets comprising the Trust Fund in one transaction or in a series of transactions at public or private sale and do all other acts appropriate to liquidate the Trust Fund, and shall in all respects act in accordance with the directions, if any, of the Unitholders (in respect of a termination authorized under Section 12.2) and the Manager (subject to any resolution of the Unitholders, in the case of termination pursuant to Section 12.2). Notwithstanding anything herein contained, in no event shall the Trust be wound up until the Trust Royalty shall have been disposed of, and under no circumstances shall any Unitholder come into possession of any interest in the Trust Royalty. If the Trustee is unable to sell all or any of the securities or other assets comprising the Trust Fund by the date set for termination, the Trustee may distribute the remaining securities or other assets directly to the Unitholders in accordance with their Pro Rata Share. Any income of the Trust, net realized capital gains, redemption income or redemption gains arising from the sale of such securities shall be allocated, paid or made payable in accordance with Article 5.

12.6 Distribution of Proceeds

After paying, retiring or discharging or making provision for the payment, retirement or discharge of all known liabilities and obligations of the Trust and providing for indemnity against any other outstanding liabilities and obligations, the Trustee shall distribute the remaining part of the proceeds of the sale of the Trust Royalty and other assets together with any cash forming part of the Trust Fund among the Unitholders in accordance with their Pro Rata Share.

12.7 Further Notice to Unitholders

In the event that all of the Unitholders shall not surrender their Trust Units for cancellation within six (6) months after the time specified in the notice referred to in Section 12.3, such remaining Trust Units shall be deemed to be cancelled without prejudice to the rights of the holders of such Trust Units to receive their Pro Rata Shares of the amounts referred to in Section 12.6 and the Trustee may either take appropriate steps, or appoint an agent to take appropriate steps, to contact such Unitholders (deducting all expenses thereby incurred from the amounts to which such Unitholders are entitled as aforesaid) or, in the discretion of the Trustee, may pay such amounts into court.

12.8 Responsibility of Trustee after Sale and Conversion

The Trustee shall be under no obligation to invest the proceeds of any sale of the Trust Royalty or other assets or cash forming part of the Trust Fund after the date referred to in Section

12.4 and, after such sale, the sole obligation of the Trustee under this Indenture shall be to hold such proceeds in trust for distribution under Section 12.6.

ARTICLE 13 **SUPPLEMENTAL INDENTURES**

13.1 Provision for Supplemental Indentures

From time to time the Trustee may, subject to the provisions hereof, and it shall, when so directed in accordance with the provisions hereof, execute and deliver by its proper officers, indentures or instruments supplemental hereto, which thereafter shall form part hereof, for any one or more or all of the following purposes:

- (a) giving effect to any amendment as provided in Article 9;
- (b) adding to the provisions hereof such additional provisions as, in the opinion of Counsel, are necessary or advisable in the premises, provided that the same are not in the opinion of the Trustee prejudicial to the interests of the Unitholders;
- (c) giving effect to any Special Resolution passed as provided in Article 10;
- (d) making such provisions not inconsistent with this Indenture as may be necessary or desirable with respect to matters or questions arising hereunder, provided that such provisions are not, in the opinion of the Trustee, prejudicial to the interests of the Unitholders;
- (e) making any modification in the form of Trust Unit Certificates which does not materially affect the substance thereof;
- (f) for any other purpose not inconsistent with the terms of this Indenture, including the correction or rectification of any ambiguities, defective or inconsistent provisions, errors, mistakes or omissions herein, provided that in the opinion of the Trustee the rights of the Trustee and the Unitholders are not prejudiced thereby; and
- (g) modifying any of the provisions of this Indenture provided that the Trustee may in its sole discretion decline to enter into any such supplemental indenture which in its opinion may not afford adequate protection to the Trustee when the same shall become operative.

13.2 Provision for Amended and Restated Indenture

Notwithstanding Section 13.1, following any amendments to this Indenture, the parties to the Indenture may enter into an amended and restated version of the Indenture which shall include and give effect to all amendments to the Indenture in effect at the applicable time.

ARTICLE 14 **NOTICES TO UNITHOLDERS**

14.1 Notices

Any notice required to be given or sent under this Indenture to the Unitholders shall be given by letter or circular sent through ordinary post addressed to each registered holder at his last address appearing on the register or in any other manner from time to time permitted by Canadian securities legislation including, without limitation, internet based or other electronic communication, provided that if there is a general discontinuance of postal service due to strike, lockout or otherwise, such notice may be given by publication twice in the National Edition of The Globe and Mail, the National Post or any other newspaper having national circulation in Canada; provided further that if there is no newspaper having national circulation, then by publishing twice in a newspaper in each city where the register or a branch register is maintained. Any notice so given shall be deemed to have been given on the day following that on which the letter or circular was posted or, in the case of notice being given by publication, the day following the day of the second publication in the designated newspaper or newspapers. In proving notice was posted, it shall be sufficient to prove that such letter or circular was properly addressed, stamped and posted.

14.2 Failure to Give Notice

The failure by the Trustee, by accident or omission or otherwise unintentionally, to give not more than 1% of the Unitholders any notice provided for herein shall not affect the validity or effect of any action referred to in such notice, and the Trustee shall not be liable to any Unitholder for any such failure.

14.3 Joint Holders

Service of a notice or document on any one of several joint holders of Trust Units shall be deemed effective service on the other joint holders.

14.4 Service of Notice

Any notice or document sent by post to or left at the address of a Unitholder pursuant to this Article shall, notwithstanding the death or bankruptcy of such Unitholder, and whether or not the Trustee has notice of such death or bankruptcy, be deemed to have been fully served and such service shall be deemed sufficient service on all persons interested in the Trust Units concerned.

ARTICLE 15 **AUDITORS**

15.1 Qualification of Auditors

The Auditors shall be an independent recognized firm of chartered accountants which has an office within Alberta.

15.2 Appointment of Auditors

PricewaterhouseCoopers LLP, Chartered Accountants, are the auditors of the Trust as of the date hereof, to hold such office until the next annual meeting of Unitholders at such remuneration as may be approved by the Trustee from time to time. The Auditors will be elected at each annual meeting of Unitholders.

15.3 Change of Auditors

The Auditors may at any time be removed by the Trustee with the approval of Unitholders by means of an Ordinary Resolution at a meeting of Unitholders duly called for the purpose and, upon the resignation or the removal of Auditors as aforesaid, new auditors may be appointed by the Trustee with the approval of the Unitholders by means of an Ordinary Resolution at a meeting duly called for the purpose.

15.4 Filling Vacancy

In the event that the Auditors resign as auditors of the Trust, the Trustee shall forthwith fill the vacancy with such new auditors as is approved by the members of the board of directors of the Manager whom are independent of the Manager, and such new auditors shall act as auditors of the Trust for the unexpired term of the predecessor auditors of the Trust.

15.5 Reports of Auditors

The Auditors shall audit the accounts of the Trust at least once in each year and a report of the Auditors with respect to the annual financial statements of the Trust shall be provided to each Unitholder as set out in Section 16.3.

ARTICLE 16

ACCOUNTS, RECORDS AND FINANCIAL STATEMENTS

16.1 Records

The Trustee shall keep such books, records and accounts as are necessary and appropriate to document the Trust Fund and each transaction of the Trust. Without limiting the generality of the foregoing, the Trustee will, at its principal office in Calgary, Alberta, keep records of all transactions of the Trust, a list of the Trust Royalty and other assets of the Trust Fund from time to time and a copy of this Indenture and the Material Contracts with any amendments thereto.

16.2 Quarterly Reporting to Unitholders

Unless not required by applicable Canadian law, the Trustee will send to each Unitholder within 60 days after the end of each fiscal quarter of the Trust (other than the fourth quarter of each year) and, in any event on or before any earlier date prescribed by applicable securities laws, unaudited quarterly consolidated financial statements of the Trust for such fiscal quarter.

16.3 Annual Reporting to Unitholders

Unless not required by applicable Canadian law, the Trustee will send to each Unitholder within 140 days after the end of each fiscal year of the Trust and, in any event on or before any earlier date prescribed by applicable securities laws, the audited consolidated financial statements of the Trust for the most recently completed fiscal year together with the report of the Auditors thereon:

- (a) to each person who received a distribution from the Trust during a calendar year, within 140 days after the end of such calendar year, tax reporting information relating to such year for the purpose of enabling such persons to report the income tax consequences of their respective investments in Trust Units in their respective annual Canadian income tax returns; and
- (b) if the registered address of holders of more than 5% of the outstanding Units is in the United States of America, to each person having a registered address in such country who received a distribution from the Trust during the year, a calculation showing the percentage of the amount of such distribution which shall constitute earnings and profits for purposes of U.S. federal income tax purposes.

Such financial statements, including the quarterly financial statements referred to in Section 16.2, shall be prepared in accordance with generally accepted accounting principles in Canada provided that such statements may vary from such principles to the extent required to comply with applicable securities laws or securities regulatory requirements or to the extent permitted by applicable securities regulatory authorities.

16.4 Information Available to Unitholders

- (a) Each Unitholder shall have the right to obtain, on demand and on payment of reasonable reproduction costs, from the Manager of the Trust, a copy of this Indenture and any indenture supplemental hereto, any Material Contract (except any Underwriting Agreement or portion thereof the disclosure of which would cause the Trust or the Manager to be in breach of, or would constitute a default under, any confidentiality restrictions or similar obligations by which the Trust or the Manager may be bound) or the financial statements of the Trust referred to in Sections 16.2 and 16.3.
- (b) Each Unitholder, upon payment of a reasonable fee and upon sending to the Trustee the affidavit referred to in paragraph (d) below, may upon application require the Trustee to furnish within 10 days from the receipt of the affidavit a list (the "basic list") made up to a date not more than 10 days before the date of receipt of the affidavit setting out the names of the Unitholders, the number of Trust Units owned by each Unitholder and the address of each Unitholder as shown on the records of the Trustee.
- (c) A person requiring the Trustee to supply a basic list may, if he states in the affidavit referred to in paragraph (d) below that he requires supplemental lists, require the Trustee upon payment of a reasonable fee to furnish supplemental lists setting out any changes from the basic list in the names or addresses of the Unitholders and the

number of Trust Units owned by each Unitholder for each Business Day following the date the basic list is made up to.

- (d) The affidavit referred to in paragraph (b) above shall state:
 - (i) the name and address of the applicant;
 - (ii) the name and address for service of the body corporate if the applicant is a body corporate; and
 - (iii) that the basic list and any supplemental lists will not be used except as permitted under paragraph (e) below.
- (e) A list of Unitholders obtained under this Section shall not be used by any person except in connection with:
 - (i) an effort to influence the voting of Unitholders;
 - (ii) an offer to acquire Trust Units; or
 - (iii) any other matter relating to the affairs of the Trust.

16.5 Income Tax: Obligations of the Trustee

The Trustee shall satisfy, perform and discharge all obligations and responsibilities of the Trustee under the Income Tax Act (including, any obligations of the Trust under Part III of the said Act) or any similar provincial legislation, and neither the Trust nor the Trustee shall be accountable or liable to any Unitholder by reason of any act or acts of the Trustee consistent with any such obligations or responsibilities.

16.6 Income Tax: Designations

In the return of its income under Part I of the Income Tax Act for each year the Trust shall make such designations to Unitholders with respect to any amounts distributed or payable to Unitholders in the year including, without restricting the generality of the foregoing, designations with respect to any taxable capital gains realized and distributed to Unitholders by the Trust in the year, and any interest payable to Unitholders in the year, as shall be permitted under the provisions of the Income Tax Act and as the Trustee in its sole discretion shall deem to be reasonable and equitable. In the first tax year, in filing a return of income for the Trust, the Trust shall elect that the Trust be deemed to be a mutual fund trust for the entire year.

16.7 Income Tax: Deductions

The Manager shall determine the tax deductions to be claimed by the Trust in any year, and the Trustee shall claim such deductions, allowances and credits for the purposes of computing the income of the Trust and the amount payable by the Trust pursuant to the provisions of the Income Tax Act.

16.8 Fiscal Year

The fiscal year of the Trust shall end on December 31 of each year.

ARTICLE 17
REDEMPTION OF TRUST UNITS

17.1 Right of Redemption

Each Unitholder shall be entitled to require the Trust to redeem at any time or from time to time at the demand of the Unitholder all or any part of the Trust Units registered in the name of the Unitholder at the prices determined and payable in accordance with the conditions of this Article 17. The Trustee is entitled in its discretion to determine and designate whether any payments made in respect of any redemption are on account of income or capital.

17.2 Exercise of Redemption Right

To exercise a Unitholder's right to require redemption under this Article 17, a duly completed and properly executed notice requiring the Trust to redeem Trust Units, in a form approved by the Trustee, shall be sent to the Trust at the head office of the Trust, together with the Trust Unit Certificate or Trust Unit Certificates representing the Trust Units to be redeemed or other evidence of beneficial ownership of the Trust Units satisfactory to the Trustee. No form or manner of completion or execution shall be sufficient unless the same is in all respects satisfactory to the Trustee and is accompanied by any further evidence that the Trustee may reasonably require with respect to the identity, capacity or authority of the person giving such notice.

Upon receipt by the Trust of the notice to redeem Trust Units, the Unitholder shall thereafter cease to have any rights with respect to the Trust Units tendered for redemption (other than to receive the redemption payment therefor) including the right to receive any distributions thereon which are declared payable to the Unitholders of record on a date which is subsequent to the day of receipt by the Trust of such notice. Trust Units shall be considered to be tendered for redemption on the date that the Trust has, to the satisfaction of the Trustee, received the notice, Trust Unit Certificates for the Trust Units and other required documents or evidence as aforesaid.

17.3 Cash Redemption

Subject to Section 17.4, upon receipt by the Trust of the notice to redeem Trust Units in accordance with Section 17.2, the holder of the Trust Units tendered for redemption shall be entitled to receive a price per Trust Unit (the "Cash Redemption Price") equal to the lesser of:

- (a) 90% of the market price of the Trust Units on the principal market on which the Trust Units are quoted for trading during the 10 trading day period commencing immediately after the date on which the Trust Units were tendered to the Trust for redemption; and
- (b) the closing market price on the principal market on which the Trust Units are quoted for trading on the date that the Trust Units were so tendered for redemption.

For the purposes of subsection 17.3, the market price shall be an amount equal to the simple average of the closing price of the Trust Units for each of the 10 trading days on which there was a closing price; provided that if the applicable exchange or market does not provide a closing price but only provides the highest and lowest prices of the Trust Units traded on a particular day, the market price shall be an amount equal to the simple average of the average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than five of the 10 trading days, the market price shall be the simple average of the closing market price of the Trust Units on each of the 10 trading days. For these purposes and the purposes of subsection 17.3(b), the closing market price shall be an amount equal to: the closing price of the Trust Units if there was a trade on the date; the average of the highest and lowest prices of Trust Units if there was trading and the exchange or other market provides only the highest and lowest trading prices of Trust Units traded on a particular day; or the average of the last bid and last ask prices of the Trust Units if there was no trading on the date. During the period of time, if any, after a Date of Closing that Trust Units to be issued pursuant to an Offering are subject to payment of an instalment of the issue price and are represented by instalment receipts, unless a market for trading in the Trust Units (other than those so represented by instalment receipts) develops which the Trustee considers fairly reflects the market value of the Trust Units, the "market price" for purposes of subsection 17.3(a) and the "closing market price" for purposes of this paragraph and subsection 17.3(b) shall equal the aggregate of the "market price" or "closing market price" for such instalment receipts (calculated as aforesaid as if the instalment receipts were Trust Units) plus the amount of the unpaid instalment of the issue price per Unit.

The Cash Redemption Price payable in respect of the Trust Units tendered for redemption during any calendar quarter shall be paid by cheque, drawn on a Canadian chartered bank or a trust company in lawful money of Canada, payable at par to or to the order of the Unitholder who exercised the right of redemption on the 15th day of the second month following the end of the quarter in which the Trust Units were tendered for redemption, subject to any security interest in respect of unpaid instalments of the purchase price thereof (a "Security Interest"). Payments made by the Trust of the Cash Redemption Price are conclusively deemed to have been made upon the mailing of a cheque in a postage prepaid envelope addressed to the former Unitholder and/or any party having a Security Interest at the last address of such Unitholder appearing on the register of Unitholders or of such other party as reflected in the records of the Trustee, unless such cheque is dishonoured upon presentment. Upon such payment, the Trust shall be discharged from all liability to the former Unitholder in respect of the Trust Units so redeemed.

17.4 No Cash Redemption in Certain Circumstances

Section 17.3 shall not be applicable to Trust Units tendered for redemption by a Unitholder, if:

- (a) the total amount payable by the Trust pursuant to Section 17.3 in respect of such Trust Units and all other Trust Units tendered for redemption prior thereto in the same calendar quarter exceeds \$250,000; provided that the board of directors of the Manager may, in its sole discretion, waive such limitation in respect of any calendar quarter;
- (b) at the time the Trust Units are tendered for redemption, the outstanding Trust Units or instalment receipts, as the case may be, of the Trust are not listed for trading on The Toronto Stock Exchange and are not traded or quoted on any other stock exchange or

market which the board of directors of the Manager considers, in its sole discretion, provides representative fair market value prices for the Trust Units (or, as applicable, instalment receipts); or

- (c) the normal trading of the outstanding Trust Units of the Trust (or, as applicable, instalment receipts) is suspended or halted on any stock exchange on which the Trust Units or instalment receipts, as the case may be, are listed for trading or, if not so listed, on any market on which the Trust Units are quoted for trading, on the date that such Trust Units tendered for redemption were tendered to the Trust for redemption or for more than five trading days during the 10 trading day period commencing immediately after the date on which such Trust Units tendered for redemption were tendered to the Trust for redemption.

17.5 Proviso

If, pursuant to subsection 17.4(a), Section 17.3 is not applicable to Trust Units tendered for redemption by a Unitholder, the Trustee shall notify each Unitholder tendering Trust Units for redemption of such fact, whereupon such Unitholder shall, notwithstanding Section 17.4(a), be entitled to redeem its Trust Units and elect to receive, in lieu of the cash amount representing the Cash Redemption Price for such Trust Units, a note substantially in the form set out in Schedule B hereto evidencing the promise of the Trust to pay, in the next calendar quarter or, if all or any portion of such payment cannot be made in such calendar quarter as a result of the application of this Section 17.5, the first subsequent calendar quarter(s) in which payment may be made in accordance with this Section 17.5, the Cash Redemption Price remaining unpaid in respect of such Unitholder's Trust Units tendered for redemption. The Trustee shall endeavor to issue notes to Unitholders electing to receive same forthwith upon its receipt of such election.

Notwithstanding subsection 17.4(a), Unitholders holding notes issued pursuant to this Section 17.5 shall be entitled to receive payment of the Cash Redemption Price payable under such notes up to a maximum aggregate amount of \$250,000 in any calendar quarter; provided that the board of directors of the Manager may, in its sole discretion, waive such limitation in respect of any calendar quarter. Payments of the Cash Redemption Price represented by notes shall be made to holders of notes in the order in which such notes were issued. Holders of notes shall not receive any payment under such notes until such time as the holders of previously issued notes have received payment in full of the Cash Redemption Price represented by such notes. Holders of notes issued on the same date shall receive payment of the Cash Purchase Price represented by such notes on a *pro rata* basis. The Cash Redemption Price represented by any note and payable in respect of the Trust Units tendered for redemption shall be paid by cheque, drawn on a Canadian chartered bank or a trust company in lawful money of Canada, payable at par to or to the order of the Unitholder who exercised the right of redemption and received the note on the 15th day of the second month following the end of the calendar quarter in which the Cash Redemption Price represented by the note may be paid in the manner set forth above, subject to any Security Interest. Payments made by the Trust of the Cash Redemption Price are conclusively deemed to have been made upon the mailing of a cheque in a postage prepaid envelope addressed to the former Unitholder and/or any party having a Security Interest at the last address of such Unitholder appearing on the register of Unitholders or of such other party as reflected in the records of the Trustee, unless such cheque is dishonoured upon presentment. Upon such payment, the Trust shall be discharged from all liability to the former Unitholder in respect of the Trust Units so redeemed.

The Cash Redemption Price represented by Notes issued pursuant to this Section 17.5 shall bear interest at a rate equal to the *per annum* equivalent of the rate available to the Manager in respect of funds represented by 90 day Bankers' Acceptances on the first Business Day of the calendar quarter in which such Notes are issued. Interest accrued on the Cash Redemption Price represented by a Note shall be paid concurrently, on a *pro rata* basis, with the payment of all or any portion of such Cash Redemption Price pursuant to this Section 17.5.

Notes issued pursuant to this Section 17.5 shall rank junior in right of payment to all other indebtedness of the Trust, and shall be discharged upon payment by the Trustee in full of the Cash Redemption Price in respect of which they were issued, plus all accrued interest.

17.6 In Specie Redemption

Subject to Section 17.5, if, pursuant to Section 17.4, Section 17.3 is not applicable to Trust Units tendered for redemption by a Unitholder, such Unitholder shall, instead of the Cash Redemption Price per Trust Unit specified in Section 17.3, be entitled to receive a price per Trust Unit (the "In Specie Redemption Price") equal to (i) the fair market value of the assets of the Trust (other than the Common Shares), as determined by the board of directors of the Manager, divided by (ii) the number of issued and outstanding Trust Units at the time. The In Specie Redemption Price shall, subject to all necessary regulatory approvals, be paid and satisfied by way of a distribution in specie of an interest in one or more of the Trust's assets (other than the Common Shares) (the "In Specie Distributed Interest") having a value (as determined by the board of directors of the Manager in its sole discretion) equal to the In Specie Redemption Price. Subject to the discretion of the Manager, no fractional interests in assets of the Trust (other than royalties) will be distributed and where such interests to be received by a Unitholder include a fraction, such number shall be rounded to the next lowest whole number.

The In Specie Redemption Price payable in respect of Trust Units tendered for redemption during any month shall be paid by the transfer, to or to the order of the Unitholder who exercised the right of redemption, on the 15th day (the "Transfer Date") of the second calendar month following the calendar quarter in which the Trust Units were tendered for redemption, of the In Specie Distributed Interest determined as aforesaid. The Trust shall be entitled to Distributable Income or any other income, interest or distribution paid or accrued and unpaid on the In Specie Distributed Interest being transferred to and including the Transfer Date. Payments by the Trust of the In Specie Redemption Price are conclusively deemed to have been made upon the mailing of the evidence of ownership of the In Specie Distributed Interest by registered mail in a postage prepaid envelope addressed to the former Unitholder. Upon such payment, the Trust shall be discharged from all liability to the former Unitholder in respect of the Trust Units so redeemed.

In Specie Distributable Interests shall be transferable, subject to applicable law, by the holders thereof, provided, however, that the provisions of this Indenture shall be deemed to be binding upon any and all holders and transferees of In Specie Distributable Interests and their respective successors and assigns.

17.7 Cancellation of Certificates for all Redeemed Trust Units

All certificates representing Trust Units which are redeemed under this Article 17 shall be cancelled and such Trust Units shall no longer be outstanding and shall not be reissued.

17.8 Withholdings by the Trustee

The Trustee may deduct or withhold from all payments or other distributions payable to any Unitholder pursuant to this Article 17 all amounts required by law to be so withheld.

17.9 Consequential Actions of Trustee and Unitholders

In the event that In Specie Distributed Interests are undivided interests in a royalty in which the Trustee also has an undivided interest, all decisions of the Manager, the Trustee or the Unitholders with respect to the Trust's interest in the royalty (including decisions with respect to the sale of such royalty) shall apply equally to such In Specie Distributed Interests and shall be binding upon Unitholders who have tendered Trust Units for redemption under this Article 17 in consideration for such In Specie Distributed Interests and their successors and assigns. Such Unitholders and their successors and assigns shall not be entitled to any notice of, or right of consent to, such decisions.

The holders of In Specie Distributed Interests which are interests in a royalty and their successors and assigns shall be subject to the provisions of all agreements that relate to such royalty and will be the beneficial holders of such In Specie Distributed Interests in such royalty. In the redemption notice referred to in Section 17.2 hereof, each Unitholder tendering Trust Units for redemption shall be required to grant the Trustee the power, authority and sole discretion to make all Ordinary Course Business Decisions with respect to matters affecting the royalty to which such In Specie Distributed Interests relate, without the consent of the holders of such In Specie Distributed Interests. In making such Ordinary Course Business Decisions, the Trustee shall be subject to the same standard of care and liabilities as is applicable to decisions of the Trustee in respect of the Trust's interests.

**ARTICLE 18
MISCELLANEOUS**

18.1 Continued Listing

The Trustee hereby appoints the Manager as its agent and the Manager hereby covenants to the Trustee and agrees that it shall, at the cost and expense of the Trust, take all steps and actions and do all things that may be required to obtain and maintain the listing and posting for trading of the Trust Units on The Toronto Stock Exchange and to maintain its status as a "reporting issuer" not in default of the securities legislation and regulations of each of the provinces of Canada.

18.2 Successors and Assigns

The provisions of this Indenture shall enure to the benefit of, and be binding upon, the parties and their successors and, in the case of the Manager, its assigns.

18.3 Counterparts

This Indenture may be simultaneously executed in several counterparts, each of which so executed shall be deemed to be an original, and such counterparts, together, shall constitute but one and the same instrument, which shall be sufficiently evidenced by any such original counterparts.

18.4 Severability

If any provision of this Indenture shall be held invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall attach only to such provision in such jurisdiction and shall not in any manner affect or render invalid or unenforceable such provision in any other jurisdiction or any other provision of this Indenture in any jurisdiction.

18.5 Day Not a Business Day

In the event that any day on or before which any amount is to be determined or any action is required to be taken hereunder is not a Business Day, then such amount shall be determined or such action shall be required to be taken at or before the requisite time on the next succeeding day that is a Business Day.

18.6 Time of the Essence

Time shall be of the essence in this Indenture.

18.7 Governing Law

This Indenture and the Trust Unit Certificates shall be construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and shall be treated in all respects as Alberta contracts. The parties hereto hereby irrevocably submit to the jurisdiction of the Courts of the Province of Alberta.

18.8 Notices to Trustee and Manager

(a) Any notice to the Trustee under this Indenture shall be valid and effective if delivered or if given by registered letter, postage prepaid, addressed to the attention of the Trust at the principal trust office of the Trustee in Calgary or to the attention of any employee or officer of the Trustee who shall be designated by the Trustee, or may be given by telex or telecommunications device, and shall be deemed to have been given on the date of delivery or, if mailed, effective five (5) days after deposit in the Canadian mail.

(b) Any notice to the Manager under this Indenture shall be valid and effective if delivered or if given by registered letter, postage prepaid, addressed to the Manager at:

2500 First Canadian Centre
350 - 7th Avenue S.W.
Calgary, Alberta T2P 3N9

Fax: (403) 218-6210

Attn: General Counsel and Corporate Secretary

or may be given by telex or telecommunications device, and shall be deemed to have been effectively given on the date of delivery or, if mailed, five (5) days after deposit in the Canadian mail.

- (c) The Manager and the Trustee may from time to time notify the others in writing or through a press release (or with a notice on the Trust's website) of a change of address which thereafter, until changed by like notice, shall be the address of the Manager or the Trustee, as applicable, for all purposes of this Indenture.
- (d) If, by reason of a strike, lockout or other work stoppage, actual or threatened, involving postal employees, any notice to be given hereunder could reasonably be considered unlikely to reach its destination, such notice shall be valid and effective only if it is delivered at the appropriate address provided in this Section, by cable, telegram, telex, telecommunications device or other means of prepaid, transmitted and recorded communication.


18.9 References to Agreements

Any reference herein to any agreement, contract or obligation shall refer to such agreement, contract or obligation as the same may be amended from time to time.

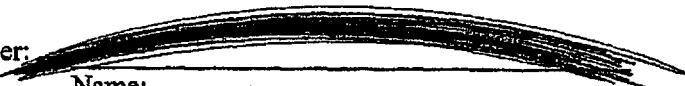
IN WITNESS WHEREOF each of the parties has caused these presents to be executed by its proper officers duly authorized in its behalf as of the 1st day of June, 2005.

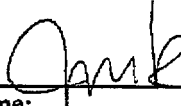
CANADIAN OIL SANDS LIMITED

Per: 
Name: _____
Title: _____

Per: 
Name: _____
Title: _____

**COMPUTERSHARE TRUST COMPANY OF
CANADA**

Per: 
Name: _____
Title: W. ANNE DEWAELE
MANAGER, CORPORATE TRUST

Per: 
Name: _____
Title: JACQUELINE M. SPINK, BSc LLB
PROFESSIONAL, CORPORATE TRUST

SCHEDULE A

(Form of Certificate for the Trust Units)

TRUST UNITS

CANADIAN OIL SANDS TRUST

(a trust created under the laws of the Province of Alberta
by a Trust Indenture dated as of October 5, 1995,
as amended and restated as of June 1, 2005)

No. _____

_____ Trust Units

CUSIP 13642 L 10 0

THIS CERTIFIES THAT

_____ is the registered holder of _____ fully paid Trust Units issued by CANADIAN OIL SANDS TRUST.

The Trust Units represented by this Certificate are issued upon the terms and subject to the conditions of an indenture (which indenture together with all other instruments supplemental or ancillary thereto is herein referred to as the "Trust Indenture") dated as of October 5, 1995, as amended and restated as of June 1, 2005 and made between Canadian Oil Sands Limited. and Computershare Trust Company of Canada (the "Trustee"), which Trust Indenture is binding upon all holders of Trust Units and, by acceptance of this Trust Unit Certificate, the holder assents to the terms and conditions of the Trust Indenture. Terms defined in the Trust Indenture have the same meaning when used herein.

A copy of the Trust Indenture pursuant to which this Trust Unit Certificate and the Trust Units represented hereby are issued may be obtained by any Unitholder on demand and on payment of reasonable reproduction costs from the head office of Canadian Oil Sands Trust (the "Trust").

This Trust Unit Certificate may only be transferred, upon compliance with the conditions prescribed in the Trust Indenture, on the registers to be kept at the office of the Trustee in the cities of Calgary, Toronto and Montreal and at such other place or places, if any, as the Trustee may designate, by the registered holder hereof or his executors or administrators or other legal representatives or his or their attorney duly appointed by an instrument in writing in form and execution satisfactory to the Trustee, and upon compliance with such reasonable requirements as the Trustee may prescribe.

The Trust Indenture contains provisions for the holding of meetings of Unitholders and rendering resolutions passed at such meetings binding upon all Unitholders.

The Trust Indenture provides that no Unitholder shall incur or be subject to any liability in connection with the Trust or the obligations or the affairs of the Trust or with respect to any act performed by the Trustee or by any other person pursuant to the Trust Indenture.

The Trust Indenture provides that Trust Units shall be issued only when fully paid and the Unitholders shall not thereafter be required to make any further contribution to the Trust with respect to such Trust Units.

This Trust Unit Certificate shall not be valid for any purpose until it shall have been certified by the Trustee under the Trust Indenture.

IN WITNESS WHEREOF the Manager has caused this Trust Unit Certificate to be signed by its duly authorized officer.

DATED _____

CANADIAN OIL SANDS TRUST,
by Canadian Oil Sands Limited, as Manager

Per: _____
Authorized Officer

Per: _____
Authorized Officer

(FORM OF TRUSTEE'S CERTIFICATE)

This Trust Unit Certificate is one of the Trust Unit Certificates referred to in the Trust Indenture within mentioned and certified by Computershare Trust Company of Canada, as Trustee.

**COMPUTERSHARE TRUST COMPANY OF
CANADA, Trustee**

Per: _____

Authorized Officer

TRANSFER FORM

FOR VALUE RECEIVED the undersigned sells, assigns and transfers unto

(please print or typewrite name and address of assignee)

_____ Trust Units of Canadian Oil Sands Trust represented by this Trust Unit Certificate and hereby irrevocable constitutes and appoints Attorney to transfer the said Trust Units on the registers of the Trustee for the said purpose, with full power of substitution in the premises.

Dated _____

The signature of the registered holder of the within Trust Unit Certificate to the foregoing assignment must be guaranteed by a chartered bank, by a trust company, or a member firm of the Stamp Medallion Program.

(Signature of Transferor)

SCHEDULE B

CANADIAN OIL SANDS TRUST

NOTE

Effective Date: _____

No. _____

FOR VALUE RECEIVED, CANADIAN OIL SANDS TRUST (the "Trust") promises to pay to or to the order of

_____ (the "Holder"),

by cheque(s) delivered to the Holder the sum of • (\$ •) Dollars (the "Cash Redemption Price") in lawful money of Canada, payable in accordance with the provisions of Section 17.5 of the Amended and Restated Trust Indenture dated as of June 1, 2005 between Canadian Oil Sands Limited (the "Manager") and Computershare Trust Company of Canada, as amended (the "Indenture"). The Cash Redemption Price represented by this Note and all other Notes issued under Section 17.5 of the Indenture shall be paid in full in the order in which such Notes were issued, as indicated on the records of the Trustee (as defined in the Indenture), up to a maximum aggregate amount in any calendar quarter of \$250,000 in respect of all such Notes; provided that the board of directors of the Manager, may, in its sole discretion, waive such limitation in respect of any calendar quarter. The Holder shall not receive any payment hereunder until such time as all holders of previously issued Notes have received payment in full of the Cash Redemption Price represented by such Notes. Holders of Notes issued on the same date shall receive payment of the Cash Redemption Price represented by such Notes on a *pro rata* basis. Any amounts paid under this Note in respect of the Cash Redemption Price represented hereby shall reduce the Cash Redemption Price accordingly. Upon payment in full of the Cash Redemption Price represented hereby, this Note shall be discharged and shall be deemed to be cancelled and of no further force or effect.

This Note shall bear interest at a rate of •% *per annum*. Interest accrued on the Cash Redemption Price represented by this Note shall be paid concurrently, on a *pro rata* basis, with the payment of all or any portion of such Cash Redemption Price.

The terms of this Note are subject to the provisions of the Indenture and in the event of any conflict between this Note and the Indenture, the Indenture shall govern.

This Note shall rank junior in right of payment to all other indebtedness of the Trust. The Trust may repay all or part of the Cash Redemption Price together with accrued interest at any time without notice, bonus, or penalty.

This Note is not a negotiable instrument and shall not be assigned, transferred or otherwise disposed of, in whole or in part, without the prior written consent of the Trust.

This Note shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

IN WITNESS WHEREOF the Trust has executed this Note effective the day noted above.

CANADIAN OIL SANDS TRUST

by its Trustee

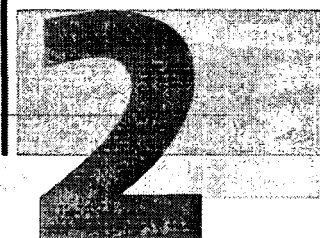
COMPUTERSHARE TRUST COMPANY OF CANADA

Per: _____



RECEIVED

second quarter report



Canadian Oil Sands Trust reports record cash flow in the second quarter of 2005

Calgary, Alberta (July 21, 2005) – Canadian Oil Sands Trust (“Canadian Oil Sands” or the “Trust”) (TSX - COS.UN) today announced net income of \$219 million, or \$2.38 per Trust unit (“Unit”), and funds from operations of \$284 million, or \$3.09 per Unit, for the quarter ended June 30, 2005. Per Unit, net income rose 113 per cent and funds from operations was up 75 per cent compared to the same three month period of 2004, setting all-time quarterly records for Canadian Oil Sands Trust.

“We received the full benefit of very robust crude oil prices in the absence of any crude oil hedges, which offset reduced production and led to record financial results for the Trust. Cash flow for the first half of the year reached \$4.11 per Unit,” said Marcel Coutu, President and Chief Executive Officer. “We are entering a free cash flow positive profile with funds from operations exceeding our construction costs on our upgrader expansion (“UE-1”). Continued strength in crude oil prices will allow us to accelerate repayment of the debt incurred to finance a portion of the Stage 3 expenditures, helping us to rebuild our balance sheet strength sooner and positioning us to reward our unitholders with higher distributions.”

A distribution of \$0.50 per Unit has been declared and will be paid on August 31, 2005 to unitholders of record on August 3, 2005.

Chief Operations Officer appointed

Mr. Trevor Roberts is joining Canadian Oil Sands Limited, manager of the Trust, effective September 1, 2005 as Chief Operations Officer. Mr. Roberts was most recently Senior Vice President, Operations with Suncor Energy, responsible for all of its day-to-day operations of oil sands mining, extraction and upgrading as well as large capital expansion projects. Mr. Roberts has close to 30 years of experience, including senior positions with Shell Canada. He holds a Bachelor of Engineering from the University of Waterloo.

“We are delighted to have an individual of Mr. Robert’s calibre to support Canadian Oil Sands in stewarding its Syncrude asset as we enter this new era of production growth,” said Mr. Coutu. “Mr. Roberts joins us at a critical and exciting juncture when Syncrude will start up one of the largest and most comprehensive expansions undertaken in our industry.”

Overview of second quarter 2005 results

- Funds from operations per Unit during the second quarter of 2005 were up 75 per cent to \$3.09, or a total of \$284 million, compared to the same period of 2004, primarily as a result of the record-high realized SSB selling prices. Year-to-date, funds from operations per Unit were up 21 per cent to \$4.11, or a total of \$377 million compared to the same period of 2004.
- Net income in the second quarter of 2005 was \$219 million, or \$2.38 per Unit, as compared to \$98 million, or \$1.12 per Unit, in the same period of 2004. Net income before unrealized foreign exchange losses and future income tax recoveries, which is a better measure of operating performance, was \$233 million, or \$2.54 per Unit, in the second quarter of 2005, compared to \$110 million, or \$1.25 per Unit, in same quarter of 2004. For the first half of the year, net income rose to \$277 million, or \$3.02 per Unit in 2005 from \$201 million, or \$2.30 per Unit in 2004. A significantly higher realized SSB selling price in the first half of 2005 was offset by lower Syncrude production, higher operating costs, and lower future income tax recoveries versus the same period in 2004.
- SSB sales volumes, net to the Trust, totalled 7.2 million barrels, or an average 79,506 barrels per day, for the second quarter of 2005 compared to 7.8 million barrels, or an average 85,116 barrels per day in the second quarter of 2004. Canadian Oil Sands' sales volumes differ from its share of Syncrude's production volumes, as posted monthly on the Trust's Web site, due to changes in inventory, which are primarily in-transit pipeline volumes. For the first half of 2005, sales volumes were down 20 per cent, totalling 12.6 million barrels, or an average 69,755 barrels per day, largely due to first quarter turnarounds.
- Operating costs in the second quarter of 2005 averaged \$21.35 per barrel, 12 per cent higher than the same period last year. An increase in both the quantity and price of purchased natural gas was the single largest factor contributing to the quarter-over-quarter rise in operating costs. On a year-to-date basis, per barrel operating costs were up 59 per cent from 2004, averaging \$28.51 per barrel. The first half 2005 turnaround and maintenance activity, including the Coker 8-2 turnaround in the first quarter, decreased production in the first six months of 2005 over the same period in 2004 by almost eight million barrels. As well, higher purchased energy costs contributed to the increase in operating costs year-to-date.
- Despite higher operating costs, record high SSB realized selling prices nearly doubled our netback to \$45.99 per barrel for the second quarter of 2005, up 88 per cent from the same quarter of 2004. Netback is defined as average realized selling price, net of hedging, less operating costs and crown royalties.
- Capital expenditures were down slightly to \$393 million in the first half of 2005 compared to \$424 million in the same period of 2004 with approximately 74 per cent directed to the Stage 3 expansion in 2005.
- Net debt-to-book capitalization was 39 per cent at the end of the second quarter of 2005.

CANADIAN OIL SANDS TRUST
Highlights

(millions of Canadian dollars, except Trust unit and volume amounts)

	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Net Income	\$ 218.6	\$ 98.0	\$ 277.2	\$ 201.4
Per Trust unit- Basic and Diluted	\$ 2.38	\$ 1.12	\$ 3.02	\$ 2.30
Funds From Operations	\$ 283.9	\$ 155.0	\$ 376.9	\$ 296.8
Per Trust unit	\$ 3.09	\$ 1.77	\$ 4.11	\$ 3.39
Unitholder Distributions	\$ 46.0	\$ 43.9	\$ 91.8	\$ 87.6
Per Trust unit	\$ 0.50	\$ 0.50	\$ 1.00	\$ 1.00
Syncrude Sweet Blend Sales Volumes *				
Total (MMbbls)	7.2	7.8	12.6	15.8
Daily average (bbls)	79,506	85,116	69,755	86,709
Per Trust unit (bbls/Trust unit)	0.1	0.1	0.1	0.2
Operating Costs per barrel	\$ 21.35	\$ 19.00	\$ 28.51	\$ 17.94
Net Realized Selling Price per barrel				
Sales revenue	\$ 68.99	\$ 52.88	\$ 66.95	\$ 49.24
Transportation and marketing expense	(1.64)	(1.47)	(1.60)	(1.40)
Realized selling price before hedging	\$ 67.35	\$ 51.41	\$ 65.35	\$ 47.84
Crude oil price hedging gains (losses)	-	(7.66)	-	(6.36)
Currency hedging gains (losses)	0.68	0.25	0.82	0.30
Net realized selling price	\$ 68.03	\$ 44.00	\$ 66.17	\$ 41.78
West Texas Intermediate (\$US per barrel)	\$ 53.22	\$ 38.28	\$ 51.66	\$ 36.78

* The Trust's sales volumes may differ from its production volumes due to changes in inventory, which are primarily in-transit pipeline volumes.

2005 outlook

The following provides Canadian Oil Sands' outlook for 2005 as of July 21, 2005 and is subject to change.

We are estimating Syncrude production to total approximately 21 million barrels in the third quarter of 2005, or 7.5 million barrels net to the Trust based on our 35.49 per cent interest. For the 2005 year, we are revising our Syncrude production outlook downward to range between 77 to 80 million barrels, or 27.3 to 28.4 million barrels net to the Trust. Second quarter 2005 operational difficulties involving the product sulphur pumps and vacuum distillation unit ("VDU") capacity restrictions have reduced the probability of Syncrude achieving the initial 2005 outlook range of 80 to 86 million barrels. The new outlook incorporates expectations for continued VDU capacity restrictions until its turnaround and revamp in the third quarter and a projected increase in the required downtime for the revamp itself. As well, the outlook continues to include scheduled maintenance and UE-1 revamp work on two hydrogen plants, a sulphur plant, a natural gas plant and a light gas oil hydrotreater. The revised range no longer includes the possibility of a Coker 8-1 turnaround, which is scheduled for early 2006. Key indicators continue to reflect normal operations for this stage of Coker 8-1's run cycle, and with five months remaining in the year there is greater confidence in maintaining its current 2006 maintenance schedule, although the risk of an

advanced turnaround still exists. We are reducing our single point Syncrude production estimate from 83 million barrels to 78 million barrels. This new estimate is based on Syncrude production averaging about 231,500 barrels per day in the second half of 2005.

Despite the downward revision in the 2005 production outlook, funds from operations is expected to rise from our prior guidance. Funds from operations are now forecast to total \$795 million, or \$8.65 per Unit, reflecting a higher average WTI crude oil price assumption of US\$50 per barrel for 2005. Revenues are estimated at approximately \$1.7 billion in 2005, with operating costs, including purchased energy, rising to \$699 million, or \$25.25 per barrel, reflecting the lower production assumption and a higher \$7.70/GJ natural gas price assumption.

The capital expenditure estimate for 2005 has been revised upward from \$706 million to \$760 million, with approximately \$519 million directed to the Stage 3 expansion, reflecting revised cost estimates that incorporate construction experience since the last quarter. Canadian Oil Sands will continue to provide monthly and quarterly updates on construction progress and costs related to the Stage 3 expansion.

Changes in certain factors and market conditions could potentially impact Canadian Oil Sands' forecast. The following table provides a sensitivity analysis of the key factors affecting the Trust's performance.

Q2 2005- 2005 Forecast Sensitivity			
Variable ¹	Annual ² Sensitivity	Funds from Operations Increase	
		\$ millions	\$/Trust unit
Syncrude operating costs decrease	C\$1.00/bbl	28	0.31
Syncrude operating costs decrease	C\$50 million	18	0.20
WTI crude oil price increase	US\$1.00/bbl	34	0.37
Syncrude production increase	2 million bbls	39	0.43
Canadian dollar weakening	US\$0.01/C\$	19	0.21
AECO natural gas price decrease	C\$0.50/GJ	11	0.12

¹ An opposite change in each of these variables will result in the opposite funds from operations impact.

² Sensitivities assume a larger change in unrealized quarters to result in the annual impact. Variable changes apply only to unhedged positions.

More information on the Trust's outlook is provided in the Management's Discussion and Analysis section of the second quarter 2005 report and the July 21, 2005 guidance document, both of which are available on the Trust's Web site at www.cos-trust.com under investor information.

Syncrude operational performance

Figures provided below are the gross Syncrude numbers and are not net to the Trust.

Production may differ from that posted on Canadian Oil Sands Trust's Web site due to rounding.

SSB production during the second quarter of 2005 totalled 21.3 million barrels, or approximately 234,000 barrels per day, compared to 20.9 million barrels, or approximately 229,000 barrels per day, for the same period in 2004. For the six months ended June 30, 2005 production was down 19 per cent to 35.4 million barrels compared to the same period of 2004.

"Year-to-date production primarily reflects the impact of extensive maintenance work conducted early in the year, which represented the largest turnaround in Syncrude's 27-year history," said Jim Carter, Syncrude President and Chief Operating Officer. "Steady state operations generally returned in the second quarter, and while there were no major interruptions, production fell short of our expectations due to major turnaround work continuing into the early part of the second quarter and capacity restrictions in one upgrading unit. By comparison, in 2004 we had record production during the first six month period."

The original forecast for second quarter production was 22 million barrels; however, this was reduced to 21.5 million barrels with the extension of scheduled maintenance work into mid-April. Actual production for the quarter of 21.3 barrels was slightly less than the revised forecast, mainly because one upgrading unit, the VDU, began experiencing capacity restrictions. This unit is approaching the end of its run length and is scheduled for maintenance turnaround and revamp work related to Stage 3 to expand its capacity by more than 100,000 barrels per day later in the third quarter of 2005.

Syncrude employees and contractors achieved world-class safety performance in the second quarter with a lost-time injury ("LTI") rate of 0.04 per 200,000 workforce hours. The year-to-date rate is 0.06 for every 200,000 hours worked compared to the provincial average LTI rate of 2.9.

"We are continuing to maintain an excellent safety performance despite all of the increased activity at our site," said Mr. Carter. "So far this year, our LTI rate of 0.06 puts us on track to exceed our best annual safety performance set in 2002 with an LTI of 0.10. It is a remarkable achievement considering Syncrude is undergoing a major expansion that involves a construction workforce of about 6,000."

UE-1 on track for completion by the end of 2005

Construction on the UE-1 component of Syncrude's Stage 3 project was almost 90 per cent complete at the end of the second quarter 2005 with full completion expected by year-end. Approximately 1,500 of the 2,500 newly constructed and revamped UE-1 systems have already been turned over to operations, including major units such as the new hydrogen plant, naphtha recovery unit, cooling tower and control centre. Additional milestones are scheduled for the third quarter of 2005 with start-up of our new

aromatics saturation unit and major revamps starting on the VDU and light gas oil hydrotreater. Commissioning and testing with all units operating by mid 2006 remains on schedule.

"The integration of the new units has gone well, clearly demonstrating our ability to bring new and revamped units on line smoothly and effectively," said Charles Ruigrok, Syncrude's Chief Executive Officer. "The quality of construction and our operational readiness is ensuring we can continue to anticipate similar results as future units come on line."

Last quarter, Canadian Oil Sands began communicating that costs for the Stage 3 expansion were trending up one to two per cent. Progress on the construction of UE-1 dipped slightly below target during the first quarter due in large part to resources and labour being reassigned to Syncrude's turnaround effort and restrictions in the pool of available skilled labour with demands from competing oil sands projects. It was anticipated that this shortfall could be recaptured with an expanded workforce over the summer months; however, turnover has increased as construction labour has begun migrating to other projects in anticipation of the completion of UE-1 construction by year-end. As a result, the total P50 cost estimate for the Stage 3 expansion has been revised to \$8.1 billion, up modestly from the last estimate provided of \$7.9 billion. Canadian Oil Sands will continue to provide monthly updates on construction and cost progress through charts posted on its Web site at <http://www.cos-trust.com/asset/syncrude21.aspx>.

"We are beginning to see productivity declines typical of a major construction project as it nears completion," said Mr. Ruigrok. "We revised our cost estimate for Stage 3 to reflect this impact and we are working to address this problem by working closely with our labour providers to address issues around retention and recruitment of contract labour. Importantly, there have been no scope changes to Stage 3 deliverables. We remain positioned for an approximate 50 per cent rise in our productive capacity and improving margins through the elevation of our product quality to Syncrude Sweet Premium."

As at June 30, 2005 the Syncrude Joint Venture had expended approximately \$7.2 billion of the total \$8.1 billion estimated project cost for the Stage 3 expansion, which includes \$0.7 billion for the Aurora 2 mining train, completed in late 2003. Net to Canadian Oil Sands, the total cost for the Stage 3 expansion is equivalent to approximately \$2.9 billion, with \$2.6 billion expended to the end of the second quarter of 2005.

South West Quadrant Replacement ("SWQR") project on budget and on schedule

The SWQR project is another large project underway at Syncrude and is designed to replace bitumen production from the South West Quadrant of the Base Mine. The Base Mine has been the original source of oil sands since Syncrude began producing in 1978, and uses the dragline and bucket-wheel system. All of Syncrude's mining operations will employ the truck and shovel system when the bitumen source from the Base Mine is exhausted and replaced by additional mining systems at the North and Aurora

mines, which is anticipated to be in 2006. The North Mine Auxiliary Production System has been completed and is in operation, and auxiliary production from the Aurora mine is on target for start up in December 2005. The SWQR project is on schedule and on budget at a total estimated cost of \$800 million.

Foreign ownership increases

Based on geographical data as of July 4, 2005, we estimate that approximately 55 per cent of the Trust's units are held by Canadian residents, with the remaining 45 per cent held by non-Canadian residents. The Trust's indenture provides that not more than 49 per cent of its Trust units can be held by non-residents. The Trust continues to monitor its foreign ownership levels on a regular basis through declarations from Unitholders and geographical searches. Under the trust indenture, which contains specific provisions that allow the Trust to control the level of its non-resident ownership, action will be taken by the Trustee of the Trust if and when the 49 per cent non-resident unitholder limit is reached.

Premium distribution, distribution reinvestment and optional unit purchase plan (DRIP)

The DRIP allows unitholders to reinvest their distributions to receive new units at 95 per cent of the weighted average market price, or for Canadian resident unitholders only, the alternative of receiving, in cash, up to 102 per cent of the declared distribution.

Eligible unitholders who wish to participate in the Trust's DRIP must file their election form, in the case of registered Unitholders, with Computershare Trust Company of Canada at the number or address noted on the enrolment forms **before the August 3, 2005 record date**. Unitholders who hold their units in the name of a broker should contact their broker to ensure that the proper election forms are completed and sent in before August 3, 2005. Information on the plan and enrolment forms are available on the Trust's Web site or by calling investor relations.

Federal government passes legislation on withholding tax

The federal government passed legislation in Canada in June 2005 that specifies 100 per cent of the distributions paid to non-resident unitholders will be subject to a withholding tax, effective January 1, 2005. This withholding rate is 25 per cent but is reduced to 15 per cent pursuant to a tax treaty with the United States for U.S. residents. Previously, the withholding tax applied only to the taxable portion of the distribution.

Canadian Oil Sands Trust is an open-ended investment trust that generates income from its indirect 35.49 per cent working interest in the Syncrude Joint Venture. The Trust currently has approximately 91.9 million units outstanding, which trade on the Toronto Stock Exchange under the symbol COS.UN. The Trust is managed by Canadian Oil Sands Limited.

ADVISORY - Certain information regarding the Trust and Syncrude set forth above, including management's assessment of the Trust's future production, operations and costs, may constitute forward-looking statements under applicable securities law. Forward-looking statements often contain terms such as "may", "will", "should", "anticipate", "expects" and similar expressions. These statements represent management's current expectations and beliefs based on information known today. However, by their nature, forward-looking statements necessarily involve risks and uncertainties, known and unknown, which may cause actual performance and financial results in future periods to materially differ from the estimations or results expressed or implied by such forward-looking statements. Readers are directed to the advisory statement contained in the management's discussion and analysis attached hereto as well as to the risk factors and advisory contained in the 2004 annual report of the Trust and the risk factors outlined in the annual information form dated March 15, 2005. The Trust assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") was prepared as of July 21, 2005 and should be read in conjunction with the unaudited interim consolidated financial statements of Canadian Oil Sands Trust ("Canadian Oil Sands" or the "Trust") for the six months ended June 30, 2005 and June 30, 2004 and the audited consolidated financial statements and MD&A for the year ended December 31, 2004.

ADVISORY- in the interest of providing the Trust's Unitholders and potential investors with information regarding the Trust, including management's assessment of the Trust's future production and cost estimates, plans and operations, certain statements throughout this MD&A contain "forward-looking statements" under applicable securities law. Forward-looking statements in this M&DA include, but are not limited to, statements with respect to: the expected price for crude oil and natural gas in 2005, the expected maintenance in 2005, the actual taxes paid in the future by Canadian Oil Sands, the expected production level at Syncrude in the third quarter and for 2005, the expected timing and associated production impact of Coker and other unit turnarounds, the expected revenues and operating costs for 2005, the expected funds from operations for 2005, the anticipated completion and cost of the UE-1 construction, the anticipated impact that certain factors such as natural gas and oil prices, foreign exchange and operating costs have on the Trust's funds from operations and net income, the expected capital expenditures in 2005 and beyond, the anticipated levels of foreign ownership, and the anticipated taxability of distributions paid by the Trust. You are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Although the Trust believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this MD&A include, but are not limited to: the supply and demand metrics for oil and natural gas, the ability of the other joint venture owners of Syncrude to modify the 2005 budget at Syncrude, the uncertainty of labour supply and cost, normal risks associated with litigation, general economic, business and market conditions, regulatory changes, and such other risks and uncertainties described from time to time in the reports and filings made with securities regulatory authorities by the Trust. You are cautioned that the foregoing list of important factors is not exhaustive. Furthermore, the forward-looking statements contained in this MD&A are made as of the date of this MD&A, and the Trust does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

REVIEW OF SYNCRUDE OPERATIONS

During the second quarter of 2005, Syncrude oil production totalled 21.3 million barrels, or 7.5 million barrels net to the Trust based on its 35.49 per cent Syncrude working interest. Syncrude's second quarter production of approximately 234,000 barrels per day, or 83,000 barrels per day net to the Trust, in 2005 was slightly higher than the same period of 2004, which averaged 229,000 barrels per day, or 81,000 barrels per day net to the Trust. However, Syncrude's second quarter production was below the 22 million barrel estimate provided in our 2005 first quarter report. Completion of repairs on Hydrogen Plant 9-3 early in the quarter and feed restrictions in our Vacuum Distillation Unit ("VDU"), which is scheduled for turnaround and revamp work to expand capacity in the third quarter of 2005, reduced production. In addition, sulphur pump difficulties reduced the ability to treat product, resulting in increases of untreated inventory in the quarter. By comparison, second quarter 2004 production totalled 20.9 million barrels, and included three scheduled hydrotreater turnarounds.

For the six months ended June 30, 2005 Syncrude production was 35.4 million barrels, 12.6 million barrels net to the Trust, reflecting the impact of planned and unplanned maintenance. In January 2005, Hydrogen Plant 9-3 experienced a rupture of tubes following a normal maintenance turnaround. To coincide with the repair of this plant, the planned turnaround of Coker 8-2 and associated upgrading and environmental units was advanced. A shortage of available labour, caused by competing oil sands projects, and additional repairs extended the repair and turnaround activities, reducing production by an estimated 3.7 million barrels in the first half of 2005. The production impact of the coker turnaround was approximately four million barrels, which is typical for such a turnaround. In addition, feed restrictions in the VDU and sulphur pump repairs negatively impacted second quarter 2005 production. In contrast, Syncrude production of 43.9 million barrels, 15.6 million barrels net to the Trust, in the first half of 2004 reflected more reliable operations without a coker turnaround.

The impact of Syncrude's second quarter operations on Canadian Oil Sands' financial results is more fully discussed later in this MD&A.

SUMMARY OF QUARTERLY RESULTS

(\$ millions, except per Trust unit and volume amounts)	2005		2004				2003	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues, after transportation and marketing expense	\$ 492.2	\$ 343.1	\$ 333.4	\$ 359.3	\$ 340.8	\$ 318.5	\$ 222.4	\$ 300.4
Net income	\$ 218.6	\$ 58.6	\$ 122.1	\$ 185.7	\$ 98.0	\$ 103.4	\$ 56.9	\$ 106.0
Per Trust unit, Basic and Diluted	\$ 2.38	\$ 0.64	\$ 1.34	\$ 2.06	\$ 1.12	\$ 1.18	\$ 0.65	\$ 1.23
Funds from operations	\$ 283.9	\$ 93.0	\$ 121.6	\$ 157.4	\$ 155.0	\$ 141.8	\$ 44.7	\$ 120.3
Per Trust unit	\$ 3.09	\$ 1.02	\$ 1.33	\$ 1.75	\$ 1.77	\$ 1.62	\$ 0.51	\$ 1.39
Daily average sales volumes (bbbls)	79,506	59,897	78,294	86,635	85,116	88,302	68,990	86,196
Net realized selling price, after hedging (\$/bbl)	\$ 68.03	\$ 63.66	\$ 46.29	\$ 45.07	\$ 44.00	\$ 39.64	\$ 35.04	\$ 37.87
Operating costs (\$/bbl)	\$ 21.35	\$ 38.13	\$ 21.27	\$ 20.60	\$ 19.00	\$ 16.91	\$ 22.93	\$ 15.86

REVIEW OF FINANCIAL RESULTS

In order to provide meaningful information to our Unitholders, the focus of our MD&A is to provide explanations of material variances in our quarterly financial results and significant events that have occurred since year-end. We believe material information is that which relates to the business of the Trust and its subsidiaries and would reasonably be expected to have a significant influence on an investor's investment decision. We endeavor to explain the factors, when material, that ultimately impact the Trust's Unitholder distributions, such as revenues, operating and non-production costs, financing expenses, and capital expenditures. As well, we provide an overview of the Trust's financing and risk management activity in the period.

In each of 2005 and 2004, the financial results of Canadian Oil Sands reflect a 35.49 per cent working interest in the Syncrude Joint Venture.

Canadian Oil Sands' second quarter net income and funds from operations in 2005 were higher than the comparable period in 2004, primarily as a result of the record-high realized selling price for our Syncrude Sweet Blend ("SSB")TM of \$67.35 per barrel and the full exposure to this price as 2005 production remains unhedged. Net income was \$219 million, or \$2.38 per Trust Unit ("Unit"), in the second quarter of 2005, up from \$98 million, or \$1.12 per Unit, in the second quarter of 2004. Funds from operations achieved a new Canadian Oil Sands record at \$284 million, or \$3.09 per Unit, in the second quarter of 2005, an increase of \$129 million, or \$1.32 per Unit compared to the same period in 2004.

Net income rose to \$277 million, or \$3.02 per Unit from \$201 million, or \$2.30 per Unit in the first six months of 2005 and 2004, respectively. A significantly higher realized SSB selling price in the first half of 2005 was offset by lower Syncrude production, higher operating costs, and lower future income tax recoveries versus the same period in 2004. Funds from operations increased 27 per cent to \$377 million, or \$4.11 per Unit in the first six months of 2005 from \$297 million, or \$3.39 per Unit in the first half of 2004.

Net income before unrealized foreign exchange losses and future income tax expense recoveries, which management believes is a better measure of operational performance than net income, was \$233 million, or \$2.54 per Unit in the second quarter of 2005, compared to \$110 million, or \$1.25 per Unit, in the same period of 2004. The table below reconciles net income before unrealized foreign exchange gains and losses and future income tax expense and recoveries.

(\$ millions)	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2005	2004	2005	2004
Net income per GAAP	\$ 218.6	\$ 98.0	\$ 277.2	\$ 201.4
Add (Deduct):				
Foreign exchange loss on long-term debt	15.1	20.7	20.8	33.3
Future income tax expense (recovery)	(0.7)	(9.1)	(5.7)	(30.3)
Net income before foreign exchange and future income taxes	<u>\$ 233.0</u>	<u>\$ 109.6</u>	<u>\$ 292.3</u>	<u>\$ 204.4</u>

The earnings reflected in the previous table are a measurement that is not defined by Canadian generally accepted accounting principles ("GAAP"). The Trust also reports funds from operations and Unitholder distributions on both a total and per Unit basis, which are measures that do not have any standardized meaning under Canadian GAAP. Funds from operations are calculated from the Trust's cash flow statement as cash from operating activities before changes in working capital. In management's opinion, it is a key performance indicator of the Trust's ability to generate cash to fund capital expenditures and pay distributions. The earnings in the previous table and the Trust's funds from operations may not be directly comparable to similar measures presented by other companies or trusts.

Revenues after Transportation and Marketing Expense

(\$ millions)						
	Three Months Ended June 30			Six Months Ended June 30		
	2005	2004	Variance	2005	2004	Variance
Sales revenue ¹	\$ 499.2	\$ 409.5	\$ 89.7	\$ 845.3	\$ 777.0	\$ 68.3
Transportation and marketing expense	(11.9)	(11.4)	(0.5)	(20.3)	(22.1)	1.8
	<u>487.3</u>	<u>398.1</u>	<u>89.2</u>	<u>825.0</u>	<u>754.9</u>	<u>70.1</u>
Crude oil hedging gains (losses) ¹	-	(59.3)	59.3	-	(100.4)	100.4
Currency hedging gains (losses) ¹	4.9	2.0	2.9	10.3	4.8	5.5
Total hedging gains (losses)	<u>4.9</u>	<u>(57.3)</u>	<u>62.2</u>	<u>10.3</u>	<u>(95.6)</u>	<u>105.9</u>
	<u>\$ 492.2</u>	<u>\$ 340.8</u>	<u>\$ 151.4</u>	<u>\$ 835.3</u>	<u>\$ 659.3</u>	<u>\$ 176.0</u>
Sales volumes (MMbbls)	<u>7.2</u>	<u>7.8</u>	<u>(0.6)</u>	<u>12.6</u>	<u>15.8</u>	<u>(3.2)</u>

¹ The sum of sales revenue and crude oil and currency hedging gains (losses) equals Syncrude Sweet Blend revenues on the Trust's consolidated statement of income.

(\$ per barrel)						
Sales revenue	\$ 68.99	\$ 52.88	\$ 16.11	\$ 66.95	\$ 49.24	\$ 17.71
Transportation and marketing expense	(1.64)	(1.47)	(0.17)	(1.60)	(1.40)	(0.20)
Realized selling price before hedging losses	<u>67.35</u>	<u>51.41</u>	<u>15.94</u>	<u>65.35</u>	<u>47.84</u>	<u>17.51</u>
Crude oil hedging gains (losses)	-	(7.66)	7.66	-	(6.36)	6.36
Currency hedging gains (losses)	0.68	0.25	0.43	0.82	0.30	0.52
Total hedging gains (losses)	<u>0.68</u>	<u>(7.41)</u>	<u>8.09</u>	<u>0.82</u>	<u>(6.06)</u>	<u>6.88</u>
Net realized selling price	<u>\$ 68.03</u>	<u>\$ 44.00</u>	<u>\$ 24.03</u>	<u>\$ 66.17</u>	<u>\$ 41.78</u>	<u>\$ 24.39</u>

Revenues after transportation and marketing expense and before hedging increased by \$89 million in the second quarter of 2005 compared to the same quarter in 2004 due to a significantly higher realized selling price, somewhat offset by lower SSB sales volumes. Second quarter 2005 sales volumes averaged approximately 80,000 barrels per day, compared to about 85,000 barrels per day in the second quarter of 2004. Canadian Oil Sands' sales volumes differ from its share of Syncrude's production volumes due to changes in inventory, which are primarily in-transit pipeline volumes.

The West Texas Intermediate ("WTI") price, which is the selling price our SSB product closely follows, averaged US\$53.22 per barrel in the second quarter of 2005, a 39 per cent increase over the average WTI price in the same period of 2004. This significant increase in the benchmark crude price in the second quarter of 2005 compared to the prior year quarter was somewhat lessened by the strengthening of the Canadian dollar relative to the U.S. dollar. The Canadian dollar averaged \$0.80 US/Cdn in the second quarter of 2005 relative to the same period in 2004 when the foreign exchange rate averaged \$0.74 US/Cdn.

Our realized selling price before hedging of \$67.35 per barrel in the second quarter of 2005 reflects a weighted-average premium of \$1.20 per barrel against average Canadian dollar WTI. Conversely, in the same period of 2004, our realized price reflected a discount of \$0.89 per barrel and was 31 per cent lower

at \$51.41 per barrel. We believe the improvement in our price differential quarter-over-quarter primarily reflects the lower supply of light synthetic crude oil in 2005 from a number of producers.

On a year-to-date basis, revenues after transportation and marketing expense and before hedging increased by \$70 million to \$825 million compared to the same 2004 period due to a higher realized selling price, partially offset by lower SSB sales volumes. First half 2005 sales volumes averaged approximately 70,000 barrels per day, compared to about 87,000 barrels per day in the first six months of 2004, as a result of the turnaround and maintenance activity which occurred in 2005. The average WTI crude price rose to US\$51.66 per barrel in the first half of 2005 from US\$36.78 per barrel in the same period of 2004. This price increase was somewhat mitigated by a stronger Canadian dollar, which averaged \$0.81 US/Cdn in the first six months of 2005, up from \$0.75 US/Cdn in the first half of 2004. The strong WTI benchmark price translated into a higher SSB price, which averaged \$65.35 per barrel, before hedging, to the end of June 2005, a 37 per cent increase over the price in the first half of 2004. The strong 2005 SSB price also reflects a weighted-average premium of \$1.33 per barrel against average Canadian dollar WTI versus a discount of \$1.40 per barrel in the same period of 2004.

Our 2005 revenues fully reflect the high crude oil price market environment as we have no crude oil price hedges in place. Conversely, in the second quarter and first half of 2004, revenues were reduced by \$59 million, or \$7.66 per barrel and \$100 million, or \$6.36 per barrel, respectively, due to crude oil hedging losses. Overall, total hedging activities including currency hedges contributed \$5 million, or \$0.68 per barrel to our revenues and funds from operations in the second quarter of 2005, compared to a crude oil and currency hedge reduction in revenues and funds from operations of \$57 million, or \$7.41 per barrel in the same period of 2004. For the six month period ended June 30, 2005, currency hedge gains of \$10 million contrasted with the 2004 net oil and currency hedging losses of \$96 million. Our crude oil and foreign currency hedging activity is more fully discussed in the Risk Management section of this MD&A.

Operating costs

	Three Months Ended June 30				Six Months Ended June 30			
	2005		2004		2005		2004	
	\$/bbl Bitumen	\$/bbl SSB	\$/bbl Bitumen	\$/bbl SSB	\$/bbl Bitumen	\$/bbl SSB	\$/bbl Bitumen	\$/bbl SSB
Bitumen Costs ¹								
Overburden removal	1.46		2.01		2.11		1.90	
Bitumen production	6.89		5.85		8.16		5.85	
Purchased energy ³	2.47		1.45		2.83		1.50	
	<u>10.82</u>	<u>12.85</u>	<u>9.31</u>	<u>11.92</u>	<u>13.10</u>	<u>15.97</u>	<u>9.25</u>	<u>11.26</u>
Upgrading Costs ²								
Bitumen processing and upgrading		3.41		3.31		4.47		3.23
Turnaround and catalysts		1.08		1.16		4.21		0.62
Purchased energy ³		2.56		2.39		2.68		2.34
		<u>7.05</u>		<u>6.86</u>		<u>11.36</u>		<u>6.19</u>
Other and research		1.17		0.67		1.63		0.58
Change in treated and untreated inventory		(0.21)		(1.27)		(0.67)		(0.56)
Total Syncrude operating costs		<u>20.86</u>		<u>18.18</u>		<u>28.29</u>		<u>17.47</u>
Canadian Oil Sands adjustments ⁴		0.49		0.82		0.22		0.47
Total operating costs		<u>21.35</u>		<u>19.00</u>		<u>28.51</u>		<u>17.94</u>
	Bitumen	SSB	Bitumen	SSB	Bitumen	SSB	Bitumen	SSB
Syncrude production volumes (thousands of barrels per day)	<u>277</u>	<u>234</u>	<u>294</u>	<u>229</u>	<u>239</u>	<u>196</u>	<u>293</u>	<u>241</u>

¹ Bitumen costs relate to the removal of overburden, oil sands mining, bitumen extraction and tailings dyke construction and disposal costs. The costs are expressed on a per barrel of bitumen production basis and converted to a per barrel of SSB based on the yield of SSB from the processing and upgrading of bitumen.

² Upgrading costs include the production and ongoing maintenance costs associated with processing and upgrading of bitumen to SSB. It also includes the costs of major refining equipment turnarounds and catalyst replacement.

³ Natural gas costs averaged \$6.94/GJ and \$6.39/GJ in the second quarter of 2005 and 2004, respectively. For the six months ended June 30, natural gas costs averaged \$6.71/GJ and \$6.27/GJ in 2005 and 2004, respectively.

⁴ Canadian Oil Sands' adjustments mainly pertain to Syncrude-related pension costs, site restoration costs, as well as the inventory impact of moving from production to sales as Syncrude reports per barrel costs based on production volumes and we report based on sales volumes.

Operating costs in the second quarter of 2005 increased to \$155 million, or \$21.35 per barrel from \$147 million, or \$19.00 per barrel in the same quarter of 2004. Purchased energy costs account for the majority of the expense increase as both the volume and price of purchased natural gas rose. Natural gas prices averaged \$6.94 per gigajoule ("GJ") and \$6.39 per GJ in the second quarter of 2005 and 2004, respectively. Natural gas volumes increased mainly as a result of the Aurora thermal block, which began operations in the third quarter of 2004 and is used to increase the temperature of the water used in the extraction process. As well, the start-up of the new hydrogen plant in June 2005, which will temporarily be generating excess hydrogen until additional Stage 3 units are in operations, resulted in higher natural gas consumption per Unit.

In the first six months of 2005 operating costs rose to \$360 million, or \$28.51 per barrel compared to \$283 million, or \$17.94 per barrel in 2004. The first half 2005 turnaround and maintenance activity, including the Coker 8-2 turnaround, decreased Syncrude production in the first six months of 2005 from the same period in 2004 by almost eight million barrels and contributed \$400 million, \$142 million net to the Trust, to overall operating costs. Purchased energy costs rose as both the volumes and price of natural gas increased in the first half of 2005 compared to the first six months of 2004. Incremental natural gas consumption in 2005 resulted from operation of the Aurora thermal block and to service units during the

coker turnaround that rely on coker waste energy to operate. Natural gas prices averaged \$6.71 per GJ and \$6.27 per GJ in the second half of 2005 and 2004, respectively. By comparison, Syncrude's first half 2004 operating performance was Syncrude's best, with production of approximately 44 million barrels, no significant unscheduled production interruptions at Syncrude, and lower per barrel operating costs as a result.

Non-production costs

Non-production costs in the second quarter of 2005 were \$21 million, or \$2.94 per barrel compared to \$11 million, or \$1.42 per barrel in the same period of 2004. As the Stage 3 expansion project nears completion, more of the units associated with this project will be commissioned and handed over to operations. The ready-for-operations team, which is responsible for this process, has been increased in 2005 to handle the large volume of units to be completed this year. Accordingly, non-production costs in the second quarter of 2005 were greater than the comparable quarter in 2004. Non-production costs consist primarily of development expenditures relating to capital programs, which are expensed, such as pre-feasibility engineering, commissioning, technical and support services, research and development, and regulatory and stakeholder consultation expenditures.

Interest expense, net

	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Interest expense	\$ 27.6	\$ 23.6	\$ 53.7	\$ 46.6
Interest income and other	(1.0)	(0.3)	(1.4)	(1.2)
Interest expense, net	\$ 26.6	\$ 23.3	\$ 52.3	\$ 45.4

Net interest expense increased by \$3 million and \$7 million, respectively, in the three and six month periods ended June 30, 2005 compared to the same periods in 2004. The increase primarily reflects higher debt levels in 2005 relative to 2004 as a result of spending on our Stage 3 expansion program.

Depreciation, depletion and accretion expense

	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Depreciation and depletion expense	\$ 46.3	\$ 40.6	\$ 77.2	\$ 85.9
Accretion expense	0.4	0.4	0.8	0.8
	<u>\$ 46.7</u>	<u>\$ 41.0</u>	<u>\$ 78.0</u>	<u>\$ 86.7</u>

Excluding accretion expense, depreciation and depletion ("D&D") expense for the three months ended June 30, 2005 rose by \$6 million compared to the same period in 2004. The effective property, plant, and equipment D&D rate in the second quarter of 2005 was \$6.11 per barrel of production compared to \$5.48 per barrel in the same period of 2004.

For the first six months of 2005, D&D expense, excluding accretion expense, decreased \$9 million compared to the same 2004 period. Production in the first half of 2005 decreased by approximately three million barrels compared to the first six months of 2004, more than offsetting the rise in the effective property plant and equipment D&D rate to \$6.11 per barrel from \$5.51 per barrel of production.

The higher 2005 D&D rate reflects revised estimates of the Trust's future development costs as provided for in the Trust's December 31, 2004 independent reserves report. The Trust's December 31, 2004 independent reserves report is outlined in the Trust's Annual Information Form and can be found at www.sedar.com, or on our website at www.cos-trust.com.

Foreign exchange losses

The 2005 and 2004 foreign exchange losses are mainly the result of revaluations of our U.S. denominated long-term debt caused by fluctuations in U.S. and Canadian exchange rates. These unrealized long-term debt foreign exchange losses totalled \$15 million and \$21 million in the second quarter of 2005 and 2004, respectively. The Canadian dollar was weaker on June 30 relative to March 31 in both of these years, moving to about \$0.82 US/Cdn from \$0.83 US/Cdn in 2005 and to about \$0.75 from \$0.76 in 2004. Similarly, for the first six months of both years the Canadian dollar weakened from the prior year-end to June 30 resulting in \$21 million and \$33 million of foreign exchange revaluation losses in the first half of 2005 and 2004, respectively. At June 30 and March 31, 2005 and December 31 2004, the Trust had US\$944 million of U.S. denominated Senior Notes outstanding, compared to US\$694 million at June 30 and March 31, 2004 and December 31, 2003. The remaining foreign exchange losses relate to the conversion of U.S. denominated cash, receivable, and payable balances.

Future income tax

In the first half of 2005, we recorded a non-cash future income tax recovery of \$6 million, which primarily

pertains to a decrease in temporary differences in the period. In the same period of 2004, a future income tax recovery of \$30 million was recorded, of which \$10 million resulted from a decrease in the Alberta corporate tax rate announced during the period with the remaining balance primarily due to the decrease in temporary differences. The future income tax liability recorded on the Trust's Consolidated Balance Sheet is a requirement under GAAP, but is not expected to result in higher cash taxes being paid by Canadian Oil Sands in the future.

CHANGE IN ACCOUNTING POLICIES

As of July 21, 2005 there were no changes to the Trust's accounting policies from December 31, 2004.

LIQUIDITY AND CAPITAL RESOURCES

(\$ millions)	June 2005	December 2004
Long-term debt	\$ 1,893.4	\$ 1,699.8
Less: Cash and short-term investments	45.8	17.8
Net debt	<u>\$ 1,847.6</u>	<u>\$ 1,682.0</u>
Unitholders' equity	<u>\$ 2,858.7</u>	<u>\$ 2,635.9</u>
Total capitalization ¹	<u>\$ 4,706.3</u>	<u>\$ 4,317.9</u>
¹ Net debt plus unitholders' equity		

As Syncrude progresses with its upgrader expansion ("UE-1") construction and related capital spending, of which we are responsible for funding our 35.49 per cent *pro rata* share, we continue to focus on our financing strategy and maintaining a strong capital structure. At June 30, 2005 the Trust's capitalization was higher due to additional amounts drawn on our credit facilities required to fund our share of capital expenditures as well as additional equity built in the first half of 2005. We had \$192 million drawn against our operating credit facilities at June 30, 2005 compared to \$19 million at the end of 2004. We did not participate in any other financing activity in the first six months of 2005, other than through the Trust's Premium Distribution, Distribution Reinvestment and Optional Unit Purchase Plan ("DRIP"), which generated \$37 million in new equity. Our net debt-to-total capitalization was about 39 per cent at both June 30, 2005 and December 31, 2004.

Effective April 27, 2005 Canadian Oil Sands repaid drawn amounts, cancelled its existing operating credit facilities of \$415 million and \$225 million, and entered into a new unsecured credit facility totalling \$800 million which contains more favourable terms and covenants. Also on that date, we increased our bilateral operating facility from \$20 million to \$40 million. The new syndicated credit facility is an extendible revolving five-year facility, while the \$40 million bilateral facility is a 364-day extendible

revolving facility. Under the new facilities, Canadian Oil Sands has certain restrictions including a general covenant, subject to certain exceptions, not to encumber its assets. In addition, Canadian Oil Sands is required to maintain its total debt-to-total book capitalization at an amount less than 0.60 to 1.0, or 0.65 to 1.0 in certain circumstances involving acquisitions.

In addition to the \$840 million of operating credit facilities, Canadian Oil Sands has in place a \$35 million letter of credit facility, which replaced its previous \$25 million facility. With the credit facilities available, the DRIP program, and the Trust's forecast funds from operations for 2005, we do not expect any further equity issues outside of the DRIP to assist in financing our share of Syncrude's remaining Stage 3 costs and other capital commitments.

Funds generated from operations in the second quarter of 2005 set a Canadian Oil Sands Trust quarterly record at \$284 million, or \$3.09 per Unit, an increase of \$129 million, or \$1.32 per Unit, compared to the same period in 2004. Second quarter funds from operations were more than sufficient to cover the \$205 million of capital expenditures made in the period. This is the first time since the fourth quarter of 2002 that the Trust has generated free cash flow, which is defined as funds from operations in excess of capital expenditures.

On a year-to-date basis, 2005 funds from operations totalled \$377 million, or \$4.11 per Unit compared to \$297 million, or \$3.39 per Unit in the first half of 2004. Decreases in 2005 sales volumes relative to the same period in 2004 were more than offset by the strong, unhedged realized sales price for our product. Operating costs also rose mainly as a result of repairs and extended maintenance activity and increased purchased energy costs. Funds from operations in the first half of 2005 were sufficient to fund Unitholder distributions of \$92 million. The remaining cash flow, combined with draws on our operating credit facilities and DRIP proceeds, were used to finance working capital increases and capital expenditures of \$393 million in the first half of 2005.

UNITHOLDERS' CAPITAL AND UNIT TRADING ACTIVITY

Canadian Oil Sands Trust Units trade on the Toronto Stock Exchange under the symbol COS.UN. After issuing approximately 0.2 million Units in the second quarter of 2005 through the DRIP, the Trust had 91.9 million Units outstanding at June 30, 2005. Canadian Oil Sands' Unit price closed at \$90.10 on June 30, 2005, resulting in market capitalization of the Trust being approximately \$8 billion.

Canadian Oil Sands Trust - Trading Activity		Second Quarter 2005	June 2005	May 2005	April 2005
Unit price					
High		\$ 94.40	\$ 94.40	\$ 86.60	\$ 92.75
Low		\$ 72.01	\$ 80.28	\$ 72.01	\$ 77.56
Close		\$ 90.10	\$ 90.10	\$ 80.01	\$ 80.35
Volume traded (millions)		15.9	4.8	4.9	6.2
Weighted average Trust units outstanding (millions)		91.8	91.8	91.7	91.7

The Trust has declared a distribution of \$0.50 per Unit in respect of the quarter ended June 30, 2005 for total distributions of approximately \$46 million. The distribution will be paid on August 31, 2005 to Unitholders of record on August 3, 2005. A Unitholder distribution schedule is included in Note 6 to the interim consolidated financial statements. During the Stage 3 expansion at Syncrude, we have utilized debt and equity financing to fund capital expenditures to the extent funds from operations have not been sufficient to fund the Trust's distributions, capital expenditures, and increases to working capital. Such financings are disclosed as "non-acquisition financing, net" on the Unitholder distributions schedule.

Canadian Oil Sands issues Unit options ("options") as part of its long-term incentive plan for employees. There were 96,000 options granted in the first quarter of 2005 with an exercise price of \$73.43 per option. Each option represents the right of the optionholder to purchase a Unit at the exercise price determined at the date of grant. The options vest by one-third following the date of grant for the first three years and expire seven years from the date of grant. No options were granted in the second quarter of 2005.

CAPITAL EXPENDITURES

Capital spending in the second quarter of 2005 was \$205 million compared to \$206 million in the same period of 2004. Approximately 75 per cent of the capital costs incurred in the second quarter of 2005 pertain to the UE-1 portion of Syncrude's Stage 3 project, equivalent to the same period of 2004. The UE-1 construction approached 90 per cent completion at June 30, 2005. We also incurred \$108 million in the second quarter of 2005 related to the South West Quadrant Replacement ("SWQR") project, compared to approximately \$82 million in the same period in 2004. The SWQR project relates to additional mining systems that are designed to replace bitumen production from the dragline and bucket-wheel operations in the southwest quadrant of the Base Mine, which we anticipate will be depleted in 2006.

Our annual capital expenditure forecast for 2005 is \$760 million, which is \$182 million lower than the annual capital expenditures incurred in 2004. The decrease reflects the lower capital expenditures of the UE-1 project as it moves towards completion. Our capital expenditure forecast is discussed more fully in the Outlook section of this MD&A.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As of June 30, 2005 there have been no significant changes to the Trust's contractual obligations or commitments from our 2004 year-end disclosure, other than reductions to the capital expenditure and various payment obligation commitments as a result of expenditures incurred in the first six months of 2005.

RISK MANAGEMENT

Crude Oil Price Risk

During the first half of 2005, Canadian Oil Sands did not have any crude oil price hedges in place. Therefore, revenues were not impacted by crude oil hedging gains or losses and benefited fully from strong WTI prices, compared to losses of \$59 million, or \$7.66 per barrel and \$100 million, or \$6.36 per barrel in the second quarter and first half of 2004, respectively. In the first six months of 2004, we had hedged 39,000 barrels per day, or approximately 43 per cent of our first half production, to assist in mitigating our financing risk associated with Stage 3 funding. We continue to believe that the Trust's financing risk for the Stage 3 expansion has been reduced significantly with less than one year left in the expansion, the strong balance sheet of the Trust, and strong energy prices expected for the remainder of the year. Therefore, as at June 30, 2005 based on current expectations, the Trust remains unhedged on its crude oil price exposure.

Foreign Currency Hedging

As at June 30, 2005 we had the following currency hedges outstanding:

Canadian Oil Sands Trust Exchange Hedging Activities	31-Dec	31-Dec	31-Dec
	2005	2006	2007
U.S. dollars hedged (\$ millions)	\$ 50.0	\$ 60.0	\$ 20.0
Average U.S. dollar exchange rate	\$ 0.664	\$ 0.669	\$ 0.692

Canadian Oil Sands' revenues in the second quarter of 2005 include foreign currency hedging gains of \$5 million, or \$0.68 per barrel, compared to gains of \$2 million, or \$0.25 per barrel, in the comparable quarter in 2004. On a year-to-date basis, gains of \$10 million and \$5 million were recorded in the six months ended June 30, 2005 and June 30, 2004, respectively. The gains in each period reflect the stronger Canadian dollar relative to the strike rate in each of the hedge contracts. The Canadian dollar averaged \$0.80 US/Cdn and \$0.74 US/Cdn in the second quarter of 2005 and 2004, respectively, and \$0.81 and \$0.75 US/Cdn in the first half of 2005 and 2004, respectively.

In 1999, we exchanged gains on closing certain forward currency contracts for adjustments to the terms of other currency contracts. For accounting purposes, this position of realized gains is deferred and will

be recognized as revenue over the period 2006 to 2016, which is when the original forward contracts would have expired. In the second quarter ended June 30, 2005, gains of \$2 million have been deferred. Cumulatively, Canadian Oil Sands has deferred recognition of gains totalling \$31 million to 2006 and beyond for net income purposes, but these amounts have been included in our funds from operations. The deferred balance is reflected in the Consolidated Balance Sheet under "Deferred currency hedging gains".

Interest Rate Risk

Canadian Oil Sands' net income and funds from operations are impacted by interest rate changes based on the amount of floating rate debt outstanding. At June 30, 2005 we had \$387 million of floating rate debt, comprised of \$192 million drawn on our credit facilities, \$20 million of floating rate medium term notes outstanding and \$175 million of fixed rate debt, which was swapped into floating rate debt in January 2004. Any gains or losses related to the swaps are recognized in the period the swaps are settled as they are considered hedges for accounting purposes.

Unrecognized gains and losses

At June 30, 2005 unrecognized gains relating to our foreign currency hedges and interest rate swaps on the \$175 million of 3.95% medium term notes were \$36 million and \$2 million, respectively. These unrecognized amounts and the fair values of the hedges are disclosed in Note 7 to the consolidated interim financial statements.

FOREIGN OWNERSHIP UPDATE

Based on geographical data as of July 4, 2005 we estimate that approximately 55 per cent of the Trust's Units are held by Canadian residents, with the remaining 45 per cent held by non-Canadian residents. The Trust's indenture provides that not more than 49 per cent of its Units can be held by non-residents. The Trust continues to monitor its foreign ownership levels on a regular basis through declarations from Unitholders and geographical searches. A full description of the impact foreign ownership has on the Trust can be found on pages 41 and 42 of Canadian Oil Sands' 2004 annual report.

FEDERAL GOVERNMENT PASSES LEGISLATION ON WITHHOLDING TAX

Legislation came into effect in Canada in June 2005 that specifies 100 per cent of the distributions paid to non-resident unitholders after December 31, 2004 will be subject to a 25 per cent withholding tax, which is effectively reduced to 15 per cent by a tax treaty with the United States. Previously, the withholding tax applied only to the taxable portion of the distribution.

OUTLOOK

We are estimating Syncrude production to total approximately 21 million barrels in the third quarter of 2005, or 7.5 million barrels net to the Trust based on our 35.49 per cent interest. This estimate reflects a scheduled 52 day VDU shutdown to complete turnaround and revamp work that is designed to increase unit capacity from 180,000 barrels per day to 285,000 barrels per day. Start-up of our new aromatics saturation unit, the main unit in upgrading the quality of our product from SSB to Syncrude Sweet Premium ("SSP")TM, is expected in the third quarter of 2005. This start-up is not expected to initially result in either a quality uplift or incremental production. Instead, the unit will process light gas oil, allowing Syncrude to begin its scheduled 90 day revamp of an existing light gas oil hydrotreater in the third quarter of 2005. Syncrude is confident that the coordination of activities between the aromatic saturation unit startup and the light gas oil hydrotreater revamp should not impact production in the third quarter.

For the 2005 year, we are revising our Syncrude production outlook downward to range between 77 to 80 million barrels, or 27.3 to 28.4 million barrels net to the Trust. Despite unplanned operational upsets in the first quarter of 2005, we believed that if the plant operated without unscheduled downtime for the balance of the year, Syncrude production would fall within our initial 2005 production outlook range of 80 to 86 million barrels, or 28.4 to 30.5 million barrels net to the Trust. However, the second quarter 2005 operational difficulties involving the product sulphur pumps and VDU capacity restrictions have reduced the probability of Syncrude achieving the initial 2005 outlook range. The new 77 to 80 million barrel outlook incorporates approximately four million barrels of reduced production from the hydrogen plant repairs and extended turnaround schedule in the first six months of 2005 and expectations for continued VDU capacity restrictions until its turnaround and revamp in the third quarter. As well, the outlook continues to include scheduled maintenance and UE-1 revamp work on two hydrogen plants, a sulphur plant, a natural gas plant and a light gas oil hydrotreater. The revised range no longer includes the possibility of a Coker 8-1 turnaround, which is scheduled for early 2006. Key indicators continue to reflect normal operations for this stage of Coker 8-1's run cycle, and with five months remaining in the year, there is greater confidence in maintaining the current 2006 schedule, although the risk of an advanced turnaround still exists. We are reducing our single point Syncrude production estimate from 83 million barrels to 78 million barrels. This new estimate is based on Syncrude production averaging about 231,500 barrels per day in the second half of 2005.

Despite the downward revision in the 2005 production outlook, funds from operations is estimated to rise from our prior guidance. Funds from operations are now forecast to total \$795 million, or \$8.65 per Unit, reflecting an increased average WTI crude oil price assumption of US\$50 per barrel for 2005. Revenues are estimated at approximately \$1.7 billion in 2005, with higher operating costs, including purchased energy, rising to \$699 million, or \$25.25 per barrel, reflecting the lower production assumption and a higher \$7.70/GJ natural gas price assumption.

The UE-1 project approached the 90 per cent complete mark in the month of June 2005, and another major milestone was achieved in the second quarter with the successful start-up of the new hydrogen plant. Additional milestones are scheduled for the third quarter of 2005 with start-up of our new aromatics saturation unit and major revamps starting on the VDU and light gas oil hydrotreater. About 1,500 of the approximately 2,500 systems have now been handed over to operations, and the project continues to progress without any significant scope changes.

The latest UE-1 P-50 cost forecast has risen modestly to about \$8.1 billion, or \$2.9 billion net to the Trust, but is still within five per cent of the \$7.8 billion estimate provided in March 2004. Progress on the construction of UE-1 dipped slightly below target during the first quarter due to resources and labour being reassigned to Syncrude's turnaround effort and restrictions in the pool of available skilled labour with demands from competing oil sands projects. It was anticipated that this shortfall could be recaptured with an expanded workforce over the summer months; however, turnover has increased as construction labour has begun migrating to other projects in anticipation of the completion of UE-1 construction by year end. While Syncrude is stewarding to a \$7.8 billion project cost for the expansion, or \$2.8 billion net to the Trust, current information shows a lower than 50 per cent probability of achieving this target. The project remains on schedule for mechanical completion in 2005, followed by commissioning and testing with all units operating by mid 2006.

Our capital expenditure estimate for 2005 has been revised upward from \$706 million to \$760 million, with approximately \$519 million directed to the Stage 3 expansion, reflecting revised cost estimates that incorporate construction experience since the last quarter. Canadian Oil Sands will continue to provide quarterly updates on construction progress and costs related to the Stage 3 expansion.

Changes in certain factors and market conditions could potentially impact Canadian Oil Sands' forecast. The following table provides a sensitivity analysis of the key factors affecting the Trust's performance. In addition to the factors described in the table, the supply/demand equation for synthetic crude oil in the North American markets could impact the price differential for SSB relative to crude benchmarks; however, this factor is difficult to predict and quantify.

Q2 2005- 2005 Forecast Sensitivity			
Variable ¹	Annual ² Sensitivity	Funds from Operations Increase	
		\$ millions	\$/Trust unit
Syncrude operating costs decrease	C\$1.00/bbl	28	0.31
Syncrude operating costs decrease	C\$50 million	18	0.20
WTI crude oil price increase	US\$1.00/bbl	34	0.37
Syncrude production increase	2 million bbls	39	0.43
Canadian dollar weakening	US\$0.01/C\$	19	0.21
AECO natural gas price decrease	C\$0.50/GJ	11	0.12

¹ An opposite change in each of these variables will result in the opposite funds from operations impact.

² Sensitivities assume a larger change in unrealized quarters to result in the annual impact. Variable changes apply only to unhedged positions.

Taxability of 2005 Distributions

We estimate that approximately 90 per cent of the distributions pertaining to 2005 will be taxable as other income, with the remainder classified as tax-deferred return of capital. The actual taxability of the distributions will be determined and reported to Unitholders prior to the end of the first quarter of 2006.

Our 2005 guidance document is available on the Trust's Web site at www.cos-trust.com.

CANADIAN OIL SANDS TRUST
CONSOLIDATED STATEMENTS OF INCOME AND UNITHOLDERS' EQUITY

(unaudited)

(\$ millions, except per unit amounts)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2005	2004	2005	2004
Syncrude Sweet Blend revenues	\$ 504.1	\$ 352.2	\$ 855.6	\$ 681.4
Transportation and marketing expense	(11.9)	(11.4)	(20.3)	(22.1)
	<u>492.2</u>	<u>340.8</u>	<u>835.3</u>	<u>659.3</u>
Expenses:				
Operating	154.5	147.2	360.0	283.1
Non-production	21.2	10.9	32.8	21.4
Crown royalties	5.0	3.8	8.3	7.5
Administration	3.0	1.8	5.8	3.6
Insurance	2.0	1.5	3.6	4.4
Interest, net (Note 5)	26.6	23.3	52.3	45.4
Depreciation, depletion and accretion	46.7	41.0	78.0	86.7
Foreign exchange loss	14.3	20.4	19.6	32.2
Large Corporations Tax and other	1.0	2.0	3.4	3.9
Future income tax expense (recovery)	(0.7)	(9.1)	(5.7)	(30.3)
	<u>273.6</u>	<u>242.8</u>	<u>558.1</u>	<u>457.9</u>
Net income for the period	<u>\$ 218.6</u>	<u>\$ 98.0</u>	<u>\$ 277.2</u>	<u>\$ 201.4</u>
Unitholders' equity, beginning of period	\$ 2,667.2	\$ 2,176.9	\$ 2,635.9	\$ 2,102.9
Net income for the period	218.6	98.0	277.2	201.4
Issue of Trust units (Note 2)	18.6	11.2	36.8	25.3
Unitholder distributions (Note 6)	(46.0)	(43.9)	(91.8)	(87.6)
Contributed surplus	0.3	0.3	0.6	0.5
Unitholders' equity, end of period	<u>\$ 2,858.7</u>	<u>\$ 2,242.5</u>	<u>\$ 2,858.7</u>	<u>\$ 2,242.5</u>
Weighted average Trust units	91.8	87.6	91.7	87.5
Trust units, end of period	91.9	87.8	91.9	87.8
Net income per Trust unit				
Basic and diluted	<u>\$ 2.38</u>	<u>\$ 1.12</u>	<u>\$ 3.02</u>	<u>\$ 2.30</u>

CANADIAN OIL SANDS TRUST
CONSOLIDATED BALANCE SHEETS
(unaudited)
(\$ millions)

	June 30 2005	December 31 2004
ASSETS		
Current assets:		
Cash and short-term investments	\$ 45.8	\$ 17.8
Accounts receivable	201.9	145.7
Inventories	74.7	57.1
Prepaid expenses	5.8	2.9
	<u>328.2</u>	<u>223.5</u>
Capital assets, net	5,110.4	4,794.8
Other assets		
Reclamation trust	22.8	21.0
Deferred financing charges, net and other	25.5	28.4
	<u>48.3</u>	<u>49.4</u>
	<u>\$ 5,486.9</u>	<u>\$ 5,067.7</u>
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 277.9	\$ 273.6
Unitholder distributions payable	46.0	45.7
Current portion of employee future benefits	7.2	7.2
	<u>331.1</u>	<u>326.5</u>
Employee future benefits and other liabilities	93.7	91.9
Long-term debt	1,893.4	1,699.8
Asset retirement obligation	43.0	44.1
Deferred currency hedging gains	30.8	27.6
Future income taxes	236.2	241.9
	<u>2,628.2</u>	<u>2,431.8</u>
Unitholders' equity	<u>2,858.7</u>	<u>2,635.9</u>
	<u>\$ 5,486.9</u>	<u>\$ 5,067.7</u>

CANADIAN OIL SANDS TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(\$ millions)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2005	2004	2005	2004
Cash provided by (used in):				
Operating activities				
Net income	\$ 218.6	\$ 98.0	\$ 277.2	\$ 201.4
Items not requiring outlay of cash:				
Depreciation, depletion and accretion	46.7	41.0	78.0	86.7
Amortization	0.8	0.7	1.5	1.3
Foreign exchange on long-term debt	15.1	20.7	20.8	33.3
Future income tax expense (recovery)	(0.7)	(9.1)	(5.7)	(30.3)
Other	0.6	0.7	1.2	1.1
Net change in deferred items	2.8	3.0	3.9	3.3
Funds from operations	283.9	155.0	376.9	296.8
Change in non-cash working capital	(84.9)	(13.1)	(73.1)	0.6
	<u>199.0</u>	<u>141.9</u>	<u>303.8</u>	<u>297.4</u>
Financing activities				
Issuance of medium term notes	-	200.0	-	395.0
Net drawdown of bank credit facilities	46.9	53.5	172.8	0.8
Unitholder distributions (Note 6)	(46.0)	(43.9)	(91.8)	(87.6)
Issuance of Trust units (Note 2)	18.6	11.2	36.8	25.3
Net change in deferred items	-	(1.4)	-	(2.0)
Change in non-cash working capital	0.1	0.2	0.2	0.3
	<u>19.6</u>	<u>219.6</u>	<u>118.0</u>	<u>331.8</u>
Investing activities				
Capital expenditures	(204.7)	(206.0)	(392.8)	(424.4)
Reclamation trust	(1.1)	(1.0)	(1.8)	(2.1)
Change in non-cash working capital	1.3	(3.6)	0.8	(20.1)
	<u>(204.5)</u>	<u>(210.6)</u>	<u>(393.8)</u>	<u>(446.6)</u>
Increase in cash	14.1	150.9	28.0	182.6
Cash at beginning of period	31.7	48.4	17.8	16.7
Cash at end of period	\$ 45.8	\$ 199.3	\$ 45.8	\$ 199.3
Supplemental Information				
Large Corporations Tax and income tax paid	\$ 2.6	\$ 2.0	\$ 5.1	\$ 10.3
Interest charges paid	\$ 18.4	\$ 14.5	\$ 52.8	\$ 42.3

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2005

(Tabular amounts expressed in millions of Canadian dollars, except where otherwise noted.)

1) ACCOUNTING POLICIES

The interim consolidated financial statements include the accounts of Canadian Oil Sands Trust and its subsidiaries (collectively, the "Trust" or "Canadian Oil Sands"), and are presented in accordance with Canadian generally accepted accounting principles. The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the year ended December 31, 2004. The disclosures provided below are incremental to those included with the annual consolidated financial statements. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto in the Trust's annual report for the year ended December 31, 2004.

2) UNITHOLDERS' EQUITY

In the six months ended June 30, 2005 approximately 0.5 million Units were issued for proceeds of \$36.8 million related to the Premium Distribution, Distribution Reinvestment and Optional Unit Purchase Plan ("DRIP") with respect to the distributions paid on February 28, 2005 and May 31, 2005.

The following table summarizes Units that have been issued:

Date	Net Proceeds per Unit	Number of Units	Net Proceeds
Balance, January 1, 2005		91.4	\$ 1,911.5
February 28, 2005	\$ 75.99	0.3	\$ 18.2
May 31, 2005	\$ 74.63	0.2	\$ 18.6
		<u>91.9</u>	<u>\$ 1,948.3</u>

3) EMPLOYEE FUTURE BENEFITS

Syncrude Canada Ltd. ("Syncrude Canada"), the operator of the Syncrude Joint Venture, has a defined benefit and two defined contribution plans providing pension benefits, and other retirement and post-employment benefits plans covering most of its employees. Post-employment benefits include certain health care and life insurance benefits for retirees, their beneficiaries and covered dependents.

Canadian Oil Sands accrues its obligations as a joint venture owner in respect of Syncrude Canada's employee benefit plans and the related costs, net of plan assets. The cost of employee pension and other retirement benefits is actuarially determined using the projected benefit method based on length of service and reflects Canadian Oil Sands' best estimate of the expected performance of the plan investment, salary escalation factors, retirement ages of employees and future health care costs. The expected return on plan assets is based on the fair value of those assets. Past service costs from plan amendments are amortized on a straight-line basis over the estimated average remaining service life of active employees ("EARSL") at the date of amendment. The excess of any net actuarial gain or loss exceeding 10 per cent of the greater of the benefit obligation and fair value of the plan assets is amortized over the EARSL.

Canadian Oil Sands' share of Syncrude Canada's net defined benefit and contribution plans expense for the three and six months ended June 30, which is recorded in operating expense, is as follows:

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2005	2004	2005	2004
Defined benefit plans				
Pension benefits	\$ 6.2	\$ 5.0	\$ 12.3	\$ 10.0
Other benefit plans	1.0	0.8	2.0	1.5
	<u>\$ 7.2</u>	<u>\$ 5.8</u>	<u>\$ 14.3</u>	<u>\$ 11.5</u>
Defined contribution plan	0.4	0.4	0.9	0.8
Total Benefit cost	<u>\$ 7.6</u>	<u>\$ 6.2</u>	<u>\$ 15.2</u>	<u>\$ 12.3</u>

4) BANK CREDIT FACILITIES

	Credit facility
Extendible revolving term facility (a)	\$ 40.0
Line of credit (b)	35.0
Operating credit facility (c)	800.0
	<u>\$ 875.0</u>

- a) The \$40 million extendible revolving term facility is a 364-day facility with a one year term out, expiring April 26, 2006. This facility may be extended on an annual basis with the agreement of the bank. Amounts borrowed through this facility bear interest at a floating rate based on bankers' acceptances plus a credit spread, while any unused amounts are subject to standby fees.
- b) The \$35 million line of credit is a one year revolving letter of credit facility. Letters of credit drawn on the facility mature April 30th each year and are automatically renewed, unless cancelled by Canadian Oil Sands or the financial institution providing the facility within 60 days prior to expiry. Letters of credit on this facility bear interest at a credit spread.
- Letters of credit of approximately \$42 million have been written against the extendible revolving term facility and line of credit.
- c) The \$800 million operating facility is a five year facility, expiring April 27, 2010. Amounts borrowed through this facility bear interest at a floating rate based on bankers' acceptances plus a credit spread, while any unused amounts are subject to standby fees.
- d) Each of the Trust's credit facilities is unsecured. These credit agreements contain typical covenants relating to the restriction on Canadian Oil Sands' ability to sell all or substantially all of its assets or to change the nature of its business. In addition, Canadian Oil Sands has agreed to maintain its total debt-to-total book capitalization at an amount less than 0.6 to 1.0, or 0.65 to one in certain circumstances involving acquisitions.

5) INTEREST, NET

	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Interest expense	\$ 27.6	\$ 23.6	\$ 53.7	\$ 46.6
Interest income and other	(1.0)	(0.3)	(1.4)	(1.2)
Interest expense, net	\$ 26.6	\$ 23.3	\$ 52.3	\$ 45.4

6) UNITHOLDER DISTRIBUTIONS

This statement is provided to assist Unitholders in reconciling funds from operations to Unitholder distributions.

Distributions are paid to Unitholders on the last business day of the second month following the quarter.

CANADIAN OIL SANDS TRUST CONSOLIDATED STATEMENTS OF UNITHOLDER DISTRIBUTIONS (unaudited) (\$ millions, except per unit amounts)				
	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Funds from operations	\$ 283.9	\$ 155.0	\$ 376.9	\$ 296.8
Add (Deduct):				
Capital expenditures	(204.7)	(206.0)	(392.8)	(424.4)
Non-acquisition financing, net ⁽¹⁾	51.4	112.4	181.6	236.5
Change in non-cash working capital	(83.5)	(16.5)	(72.1)	(19.2)
Reclamation trust funding	(1.1)	(1.0)	(1.8)	(2.1)
Unitholder distributions	\$ 46.0	\$ 43.9	\$ 91.8	\$ 87.6
Unitholder distributions per Trust unit	\$ 0.50	\$ 0.50	\$ 1.00	\$ 1.00

⁽¹⁾ Represents financing to fund the Trust's share of Syncrude's Stage 3 expansion.

7) DERIVATIVE FINANCIAL INSTRUMENTS

Unrecognized gains and the fair values of Canadian Oil Sands' risk management activities at June 30, 2005 are as follows:

	Unrecognized gains (losses)	Fair value
Currency exchange contracts	\$ 36.1	\$ 35.2
3.95% Interest rate swap contracts	2.0	1.9
	\$ 38.1	\$ 37.1

Canadian Oil Sands Limited

Marcel Coutu
President & Chief Executive Officer

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